

Pakistan National Social Protection Program-for-Results

TECHNICAL ASSESSMENT

WORLD BANK

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I. Introduction

1. Over the last nine years, Pakistan has taken significant strides to develop modern national safety net systems for the poor. Pakistan's National Social Protection Strategy (NSPS), approved in 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 country's flagship national social safety net program. The short-term objective of BISP was to cushion the adverse impact of food, fuel, and financial crises on the poor, but its broader objective was to meet the redistributive goals by providing a package of minimum income support and opportunities for human development to all poor and vulnerable in the country.

2. With the 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 families for consumption smoothing. Benefits are paid to the female representatives of eligible families, enabling them to address the basic needs of their families.¹ As of June 2016, BISP has disbursed cash transfers to over 5.3 million families (about 17 percent of the country's population).

3. The rapid expansion of BISP was accompanied by the development of fundamental building blocks of a robust safety net system. This includes the creation of the National Socio Economic Registry (NSER), which was developed through a door-to-door (D2D) survey using a Proxy Means Test (PMT) based Poverty Score Card (PSC), completed from 2009 to 2011. 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 other similar programs in the world. Three out of four BISP beneficiaries come from the bottom two quintiles. The beneficiaries' enrolment in the program is based on eligibility verification from the NSER and biometric verification with the country's National ID database, maintained by the National Database and Registration Authority (NADRA). BISP has also strengthened the transparency of its operations by implementing technology-based payment and grievance redressal systems. A Management Information System (MIS) supports the program administration, whereas regular process and impact evaluations strengthen the accountability.

4. 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 being 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 CCT districts, BISP Beneficiary Committees (BBCs), comprising beneficiary mothers, have also been created and trained by the program. The BBCs serve as an important mechanism to extend BISP's outreach and reinforce compliance with co-responsibilities.

¹ 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 the National ID database of the National Database and Registration Authority (NADRA).

5. 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 aforementioned services. In the past, BISP piloted complementary initiatives such as micro loans (Waseela-e-Haq [WeH]), skills training (Waseela-e-Rozgar [WeR]), and health insurance (Waseela-e-Sehat [WeS]). However, these were fraught with various design and implementation challenges. The BISP Board decided to discontinue these programs and advised the management to explore linkages with other agencies that are 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 remains weak and mostly ad hoc.

II. Program Description

The Government program

6. The Government's vision for social protection (SP), as elaborated in the 2007 National Social Protection Strategy (NSPS), was to develop an integrated and comprehensive SP platform focused on the needs of the poorest and most vulnerable groups. The critical areas of investment are reflected in the Vision 2025 document, which aims to enhance the effectiveness of SP instruments through strengthened administration and expanding the scope of the Government's income support program.² In line with this vision, the immediate outlook is focused on an updated and dynamic NSER for beneficiary identification and targeted subsidies, modern payment delivery systems, consolidated federal and provincial partnerships for equitable service delivery, expansion of the WeT program, and refinement of complementary initiatives for helping the poor exit out of poverty.³ In 2016, the Technical Advisory Committee for Social Protection led by the Federal Planning Commission approved a new Social Protection Policy Framework, which 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 service and payment delivery, and a shift from universal subsidies toward targeted programs.

7. 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 enrolment of BISP beneficiary families' children, and (c) complementary initiatives for income support beneficiaries. The last element includes delivery of complementary initiatives directly by BISP and facilitation support to improve BISP beneficiaries' access to complementary services.

Program for Results (PforR) Scope

8. The World Bank Program for Results will support three elements of the government program, that is, (a) BISP basic income support, (b) the WeT program, and (c) the facilitation of beneficiaries' access to complementary services. The Program does not include complementary initiatives directly financed and delivered by BISP. Specifically, the Program will support interventions under two Results Areas:

² Pakistan Vision 2025. Ministry of Planning, Development and Reform. Government of Pakistan.

³ Pakistan Economic Survey 2014/2015 Chapter 15: Social Safety Nets.

- (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 beneficiary access to complementary social and productive services

Program Development Objective and Key Results

9. 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.
10. The Program will advance the strengthening of safety net systems, which in turn will:
 - (a) consolidate achievements and ensure effective delivery of basic income support and cash transfers linked to education co-responsibilities, which have collectively demonstrated an impact on promoting the human capital development of children by reducing short-term malnutrition and improving enrolment 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.
11. 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) Percentage of WeT districts with *tehsil* offices using integrated MIS to handle case management of basic income support and CCT programs
 - (c) Number of WeT beneficiary children complying with attendance co-responsibilities for at least two consecutive quarters
 - (d) Number of BISP beneficiary households with at least one member enrolled in at least one complementary social or productive service

III. Strategic Relevance

Appropriateness of the Intervention to the Country's Needs

12. The Program is highly relevant for the efforts of the Government of Pakistan (GoP) to alleviate poverty and promote development in Pakistan. According to new official measurements, the poverty headcount fell from 64 percent to 30 percent between 2001 and 2014. While impressive, 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. Recent evaluations show that BISP has a positive impact on consumption and asset ownership. The program reduces the consumption gap of beneficiaries by 3 percentage points

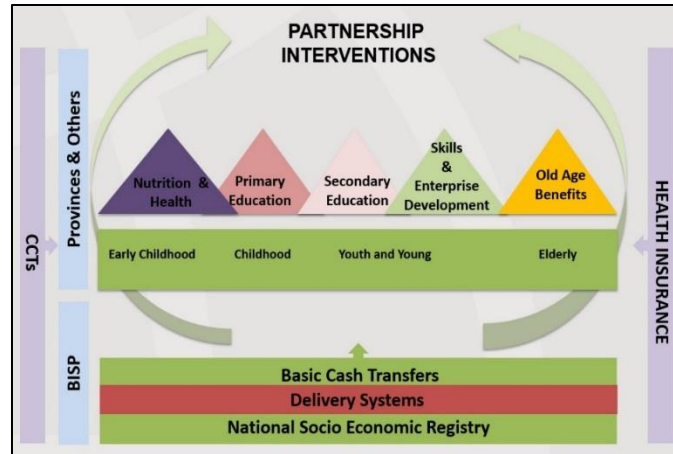
using the revised poverty line and reduces the poverty headcount of beneficiaries by 7 percentage points using a lower poverty line that considers only caloric requirements. In addition, while the gross domestic product (GDP) rose by 5.5 percent in 2015, very low human capital levels remain a key constraint for economic growth. The Program can address this challenge through its impacts on school enrolment (the combined basic income support and the WeT top-up lead to an increase in primary school enrollment by 10 percentage points), nutrition (the basic income support has been shown to reduce wasting for girls by 11 percentage points), and linkages to complementary services.

Alignment with the Government of Pakistan’s Priorities

13. The Government’s strategy for Pakistan reflected in Vision 2025 is to reach middle-income status by 2025. The Government sees BISP as an important instrument to ensure that opportunities for achieving better living standards are available to all segments of society. Bringing the disadvantaged into the economy will also contribute to economic growth. BISP impacts include improvements in living standards, increased ownership of productive assets, and a diversification in economic activities. Overall, Vision 2025 supports an increasing role for WeT and other medium- and long-term interventions to help families move out of poverty, including livelihood grants. The WeT program has a strategic important role in supporting the first pillar of Vision 2025—putting people first by developing human and social capital. To further advance SP policy, the national government has developed the National Social Protection Policy Framework to promote the alignment of policies between federal and provincial governments, while reducing fragmentation and duplication.

14. An important provision is the agreement of all federative units to adopt the National Socio Economic Registry (NSER) for targeting interventions. Maintaining a periodically updated NSER will ensure efficient targeting of resources to the poorest and will preserve the NSER’s credibility and legitimacy, which will enable the promotion of broader application to other areas through federal-provincial and public-private partnerships. This includes the use of a common targeting platform by the provincial and other stakeholders to design programs that address constraints to improved economic outcomes at every point of the human lifecycle—from early childhood support programs to initiatives supporting the elderly.

Figure 1. An Evolving Framework of Federal-Provincial Roles in Social Protection



Alignment with the World Bank Country and Sector Strategies

15. The overarching goal of the current World Bank Country Partnership Strategy (CPS) for Pakistan (FY2015–FY2019) is to help the country accelerate poverty reduction and build shared prosperity. BISP is identified as the key instrument in the third priority area (inclusive growth and reduced inequality for marginalized and vulnerable population groups). CPS support aims to help take SP systems for the poorest to the next level, including by upgrading administrative efficiency in part through coordination of interventions. BISP also contributes Results Area 4 (improved service delivery) for which raising school enrollment and attendance is a priority. A cross-cutting theme of the CPS is the deepening engagement at the provincial level while further clarifying the roles between the provinces and the federal government, a priority of the Program in the context of WeT expansion and initiatives to link BISP beneficiaries to complementary services.

16. The focus of the World Bank Social Protection and Labor Strategy is to move from isolated interventions to a coherent, connected portfolio of programs. These systems offer efficiency, through economies of scale and common administrative platforms such as social registries. BISP is aligned with this strategy given the emphasis on strengthening basic service delivery tools such as the NSER and payment arrangements. The expansion of WeT and linkages between beneficiaries and complementary services will help strengthen the connections between different interventions for the poor available at both the federal and provincial levels. The Social Protection Policy Framework formulated by the Government is a step toward improving the policy coherence of the sector in Pakistan.

Alignment with the World Bank Group Gender Strategies

17. The World Bank Group Pakistan CPS FY2015 states that one of the strongest catalysts for robust economic growth is investment in women’s and girls’ access to labor markets. The CPS stresses the importance of ensuring that both men and women have equal opportunity to increased education, vocational skills training, job placement, and access to credit. The South Asia Regional Gender Action Plan FY2016–FY2020 also calls for coordinated efforts in three critical areas: human capital, which includes improved access to and attainment in education, skills development, and health and nutrition; economic empowerment through more and better-

quality jobs and reduced disparities in access to finance and asset ownership and control; and voice and agency, with attention to enhancing mobility and safety.

18. Gender gaps in Pakistan exist across all development indicators, 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. Positive change has been seen in some areas. For example, the female-to-male primary enrolment ratio increased from 69 percent in 2005 to 86 percent in 2014; the fertility rate remains high but decreased from 4.47 births to 3.6 births between 2000 and 2012; and the proportion of women in national parliament is high (22 percent).

19. Women's access to finance is more constrained in Pakistan than it is in some comparator countries. For example, less than 3 percent of women have an account at a formal financial institution, far below the regional average of over 25 percent.⁴ Further, only a little over 2 percent of women use a mobile phone for banking purposes.⁵

20. Poverty and low literacy also contribute to the fact that there is limited awareness of legal rights and remedies among women. Unfavorable factors for women in Pakistan—but also in the region more broadly—such as discriminatory family code and restricted physical integrity, act as a further constraint to advancing women's development.

21. The Government's basic income support program has demonstrated impacts on several dimensions of women empowerment (see section VIII - Economic Justification). The Program further 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 design-related topics, focused on gender-specific constraints to access BISP benefits. In addition, Program preparation included an Environmental and Social Systems Assessment (ESSA), which specifically related to gender-focused actions. The review and analysis highlighted that 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 are often barriers against realizing the full benefits of the basic income support benefits. The analysis also highlights the role of social mobilization (and the creation of the BBCs in particular) in giving greater voice and agency to female beneficiaries through the provision of a platform for sharing concerns among each other and with program authorities.

22. **Access to finance.** The Program will prioritize increased access to finance and financial literacy for female recipients of the basic income support. Currently, approximately 5.4 million families receive cash transfers on a quarterly basis, collected by the female head of the family. Almost 93 percent of these payments are made using alternate delivery channels driven by branchless banking infrastructure and transferred electronically using mobiles, smart cards, and debit cards. 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

⁴ Global Financial Development Database, World Bank 2014.

⁵ *ibid.*

choice in selection of payment service providers (PSPs), and improved complaint management system for payments. A financial literacy component, alongside a strong communication campaign, 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.

23. **Greater voice and agency.** The Program will support the development of an institutional strategy and associated Standard Operating Procedures (SOPs) 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. 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 voice their concerns among each other and with service providers.

24. The Program does not pose any risks with regard to unequal access to the program's benefits: the basic income support is targeted at women; the WeT CCT promotes equal participation in basic education—the impact evaluation of WeT showed an increase of 9 percentage points in enrolment for both girls and boys; and linkages to complementary social and productive services will promote equal access of all BISP beneficiaries' family members.

25. The above interventions will be closely followed in the Program's Results Framework. The following indicators have been explicitly chosen to measure the Program's progress in achieving its goals on financial inclusion of beneficiary women and the creation of platforms to facilitate greater voice and agency:

- (a) Number of beneficiaries trained on the financial literacy module
- (b) Number of Union Councils in the WeT district that have at least one BBC formed and respective mother leader trained on core WeT functions (Disbursement-linked Indicator [DLI])

26. 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 monitoring and evaluation (M&E) processes. This includes progress on social mobilization and the regular tracking of relevant developments in annual status reports.

IV. Technical Soundness

27. The proposed Program is technically sound and consistent with the international experience regarding the evolution of mature safety net programs. The Program aims to consolidate the achievements so far and move toward a second generation of reforms by maintaining an updated socioeconomic registry, scaling up human capital development interventions (that is, the education CCT), and introducing linkages to complementary services that will facilitate beneficiaries' transition toward self-sustained livelihoods.

A. NSER Update

28. Pakistan is conducting an update of its NSER with a view toward making the registry dynamic. The NSER currently includes information collected during 2010–2011 on households' socioeconomic characteristics and covers more than 27 million households, which represents 87 percent of households in the country. This data used to rank households using a proxy means test (PMT) approach and is used for the targeting of BISP and other key social programs. It is widely accepted that socioeconomic conditions can vary considerably in five years, which can affect the accuracy of the registry. In Pakistan's case, changes in poverty and unemployment levels may have significantly altered household conditions, particularly given the high levels of vulnerability to poverty. Thus, there is a possibility that there are families that were not previously eligible and now meet the eligibility criteria and conversely, that households that entered BISP at a certain level of welfare may no longer need assistance. Any of these situations could lead to increasing inclusion or exclusion errors and thus to improper allocation of public resources. International experience also indicates that social registries should be updated periodically, with intervals varying between one and eight years.

29. BISP is currently considering various registration approaches for the national rollout of the NSER update. In 2015, the BISP Board approved an update of the NSER, including a Value for Money (VfM) study of different registration options. The NSER update will be done in two phases: Phase I will cover 16 districts and is intended to provide lessons for Phase II, which will cover the remaining districts through a national rollout. The following three update options are being considered, each with risks and advantages: (a) the door-to-door (D2D) approach used for the original NSER registration, (b) an on-demand or self-registration approach consisting of temporary centers (that is, desk approach), or (c) a combination of these two. The first option was previously successful in achieving high levels of coverage through a process that was perceived as more inclusive, but likely more costly relative to the desk approach. The second option could have lower costs, but could also be less appropriate for areas with high poverty density.

30. Using a combined approach to the NSER update could be a promising solution to balance costs and targeting errors; this will be assessed through the VfM study. An analysis of different options conducted in 2015 indicated that at the national level, the D2D approach would cost about US\$82 million versus US\$59 million (a 28 percent decrease) using a combination of D2D and registration centers. From a targeting perspective, the hypothesis is that the desk approach reduces the PMT's inclusion errors because fewer non-poor self-select to register knowing that their probability of selection is low.⁶ However, the poor could also face constraints (for example, financial costs, distance, and opportunity costs) in accessing the registration centers. Thus, the VfM study will seek to inform BISP on whether the D2D approach is efficient for all areas of the country. The following four districts were selected for the study due to their differences in urbanization and poverty levels and geographical characteristics: Haripur (Khyber Pakhtunkhwa), Nasirabad (Balochistan), Bahawalpur (Punjab), and Sukkur (Sindh). The desk approach will be implemented in these four districts by NADRA, the entity responsible for civil registration and national identification and which currently hosts the NSER databases.

⁶ Alatas et al., 2016, Self-Targeting: Evidence from a Field Experiment in Indonesia, *Journal of Political Economy*, 2016, vol. 124, no. 2

31. The VfM study will draw on various methodologies and data sources to assess the VfM and targeting performance of the two approaches. The study will adopt the VfM framework recently released by the U.K. Department for International Development, focusing on four areas: (a) economy—whether inputs are purchased at the right price; (b) efficiency—how well inputs are converted into outputs; (c) effectiveness—how well outputs are achieving the desired outcome; and (d) cost-effectiveness—how good targeting performance is relative to the investment made. It will also draw on the analytical approach used in a recent study comparing self-targeting with a D2D approach in Indonesia (Alatas et al. 2013⁷), particularly by measuring the costs faced by households registering. The study will rely on four data sources: (a) a targeting performance survey (TPS), a household survey capturing households’ actual consumption levels, information on costs incurred by households, and perceptions of the update process; (b) an operational review, to be conducted by a third party and that will help explain differences in performance; (c) the PMT data collected through both approaches; and (d) cost information from the implementing agencies.

32. The rollout of the desk approach began in the summer of 2016, and measures are being taken to improve the process based on early lessons learned. The desk registration process is expected to be completed in those districts by March 31, 2017. Each registration center is expected to be operational 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 the process is fair and transparent. The distance travelled and interview times are also reasonable, averaging about 20 and 15 minutes, respectively. The BISP and NADRA teams are working to further strengthen coordination, communication, and the quality of services delivered, including by (a) ensuring adequate resources for social mobilization and monitoring; (b) better tailoring communication materials to the target population, which has very low literacy levels; (c) improving coordination with the local government and survey teams (for example, timely delivery of materials); (d) seeking ways to reduce wait times and improve facilities at the registration centers; and (e) improving the software application used to capture the PMT data.

33. Phase I of the NSER update (in all 16 districts, including desk and D2D approaches) is expected to be completed in June 2017 and will inform the national rollout. A third-party operational review will be used as a tool to ensure the robustness of the NSER update process and inform improvements to the Phase II rollout to the rest of the country. The VfM analysis will help determine the combination of the D2D and desk approaches that would yield the most cost-effective targeting results in the national rollout. The lessons learned under the desk approach will also feed into the D2D approach where relevant.

34. BISP has created a dedicated department to administer the NSER, managed by a Director General. The department is adequately staffed, and its capacity will be further strengthened. To operate the 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 capacity of the NSER unit. In this respect, BISP needs to prepare an Operational 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, and easy-to-use data-sharing procedures)

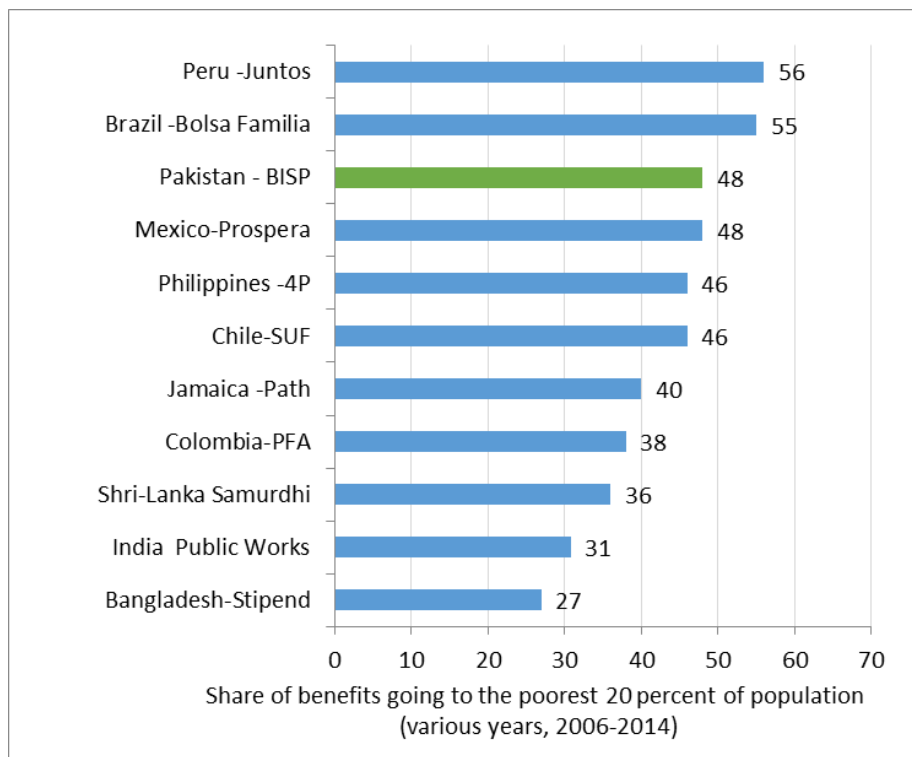
⁷ Ibid.

and (b) the required staffing and corresponding skills/qualifications to perform the functions of dynamic update and registry maintenance.

B. Targeting

35. The current targeting and performance of BISP compares well with the international experience, with about 75 percent of the beneficiaries belonging to the bottom 40 percent, and half of them belonging to the poorest quintile.

Figure 2. Targeting Performance Comparison



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

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

36. However, the current PMT formula used to determine households' eligibility to the program was developed using the Pakistan Household Integrated Economic Survey (HIES) 2007/2008, and the proxies for poverty identified at that time, in addition to their weight in predicting poverty, are likely to have changed. Therefore, the PMT was revised in 2015 in view of the forthcoming NSER update. The update was conducted using the HIES 2013/2014, the latest nationally representative data available for Pakistan. The proxy indicators and weights used to determine eligibility status were updated based on the correlation between indicators and household consumption per adult equivalent. Ex ante simulations using the HIES 2013/2014 indicate that inclusion errors (leakages to the non-poor) would be reduced by 5 percentage points under perfect implementation.

37. Particular effort was devoted to improve the coverage of the urban poor and the regional distribution of the BISP beneficiaries. Urban effects and location effects, also interacted with some of the assets and demographic information included in the formula, were incorporated.

Location effects were introduced based on the National Agricultural Research Centre (NARC) taxonomy, which classified the districts of Pakistan into agro-climatic zones based on geographical proximity and climatic similarity. Incorporating these location effects, in addition to the updated poverty proxies and weights, led to a significant increase in coverage of the urban poor ‘by design’. The current distribution of the BISP beneficiaries by residence areas indicates that about 13 percent of the beneficiaries belong to urban and 87 percent to rural, while according to the HIES 2013/2014, the national distribution of the poorest quintile of the population is 20 percent and 80 percent (urban and rural), respectively. Simulations using HIES 2013/2014 show that the breakdown of eligible households ‘by design’ between urban and rural areas with the updated targeting formula would now be 19 percent in urban areas and 81 percent in rural areas. In addition, the distribution of beneficiaries by province ‘by design’ was also brought significantly closer to the actual distribution of poverty by province.

Table 1. Targeting Performance and Coverage of the Nationwide PMT Performance by Province

	Relative poverty (from HIES 13/14)	Coverage (% of population)	Targeting (% of beneficiaries that are poor, bottom 20%)	Targeting (% of beneficiaries that are poor, bottom 40%)	Coverage of the bottom 20 Population (%)	Coverage of the bottom 20 Population (%)	Coverage of the bottom 20 Population (%)	Coverage of the bottom 40 Population (%)	Coverage of the bottom 40 Population (%)	Coverage of the bottom 40 Population (%)
		All	All	All	All	Rural	Urban	National	Rural	Urban
KPK	16.6	19	44.3	80.6	50.6	49.7	59.1	37.7	38	35.5
Punjab	17.3	15.1	63.8	87.2	55.6	57	49.9	38.3	39.7	33.4
Sindh	23.1	25.1	59.8	89	64.8	68.5	54.9	48.7	54.5	35.7
Balochistan	42.1	49.4	65.9	91.9	77.5	78.1	74.7	65.5	68.6	53.4
All	20	20	60.2	87.5	60.1	61.4	55	43.7	46	36

Source: World Bank team calculations based on HIES 2013/2014.

38. Based on the variables included in the PMT formula, a new PSC was developed, collecting necessary information to calculate the new PMT scores and determine eligibility. In addition to the PMT variables, the PSC was also strengthened by including supplementary information on the living conditions of beneficiaries and labor market outcomes, which can be used for beneficiaries profiling. In addition, some of these additional questions can serve as control questions to identify potential frauds and reduce targeting errors in implementation.

C. Waseela-e-Taleem

39. In 2012, the Government introduced the WeT, a CCT for incentivizing the primary education of the BISP beneficiary children. From a start in five pilot districts, WeT is currently being implemented in 32 districts across Pakistan. With a top-up benefit of PKR 250 (approximately US\$2.5) per child per month for primary school attendance, as of June 30, 2016, approximately 1.3 million children of the BISP beneficiary families are registered in WeT and enrolled in primary schools. School attendance compliance data is being collected for about 800,000 children and payments processed accordingly. Impact evaluation results show an

increase in enrollment rates of 10 percentage points,⁸ confirming the rationale to aim for a federally financed nationwide CCT to ensure equitable promotion of human capital investment throughout the country.

Table 2. WeT Caseload

Children Registered in WeT	Children Admitted into school	Children Active in WeT	Graduated Children (Primary)	Children Exited
1,647,000	1,316,000	1,133,000	30,000	150,000

Source: BISP MIS (June 30, 2016).

Note: Reasons for gap (331,000) between children registered in the program and admitted into school are several. Children may have migrated to non-WeT districts, died, or are attending Madrassah schools. The wrong age may have been reported for program registration, but later, the children could not be admitted. Also, families may not have arranged for school admission; Children exit the program for the following: died, migrated to non-WeT districts, a change in school was not reported to BISP, three consecutive quarters of non-compliance, or dropped out.

Table 3. Summary Attendance Compliance Data by Quarter

	Number of Schools	Attendance Processed	Noncompliant	Compliant	% Compliant	Payment	Nonpayment
2015 Q2	12,697	291,040	98,951	192,089	66.00	188,728	3,361
2015 Q3	23,817	661,285	241,712	419,573	63.45	409,449	10,124
2015 Q4	23,593	576,247	62,438	513,809	89.16	503,245	10,564
2016 Q1	34,682	809,060	73,632	735,428	90.90	718,486	16,942

Source: BISP MIS as of June 30, 2016.

Note: Nonpayment occurs because the family is no longer a beneficiary due to the following: (a) WeH graduated; (b) identified as ineligible in data sanity exercise; (c) beneficiary died; or (d) payment suspended due to non-collection of BISP Debit Card (BDC) card.

40. The main focus of the assessment is on issues related to the implementation of WeT. The eventual expansion of WeT is discussed at the end of the section. The CCTs are complex programs to carry out because they require a complex interplay of central and local actors and involve multiple agencies. Service provision is key; so, there needs to be close coordination between promoting demand and the availability of supply. Administrative capacity and operational design and implementation are especially critical given the additional complications presented by the verification of compliance with conditions. Monitoring of conditions is information intensive and time sensitive. How information flows from schools to the program is key so that the data can be used to determine payment and penalties.

41. These requirements have proven challenging for BISP. To jump-start the rollout of WeT, the U.K. Department for International Development contracted the Aurat Foundation in mid-2014 for a period of two years to be an Implementation Partner Firm (IPF) with BISP. The distribution of responsibilities for the CCT under that arrangement is shown in the first column in Table 4. Worldwide, the distribution of operational roles and responsibilities for the CCTs among various actors differs significantly depending on the country context. But the experience of well-functioning CCT programs in other countries (such as Mexico, Brazil, Colombia, and the Philippines) is that some of the roles now being carried out by the IPF in Pakistan are the

⁸ Based on a comparison of the BISP beneficiaries and non-beneficiaries using a regression discontinuity design (BISP-Evaluation of WeT CCT, Oxford Policy Management, July 2016).

responsibility of a combination of other actors including sector authorities, local authorities, communities, beneficiaries, and, especially, program staff.

42. A revision of the current organization of responsibilities to increase the role of BISP in WeT management and implementation is needed to improve its institutional sustainability. This does not mean that BISP will not contract third-party organizations for WeT activities, but it will be done for a more limited set of tasks, for example, those which are nonrecurring and/or where BISP does not have a comparative advantage (for example, social mobilization). In those cases, BISP’s role will be to coordinate and manage.

43. Since preparations were inadequate for a handing over of some WeT functions to BISP before the IPF contract ended in July 2016, a transition period (through the first quarter of 2018) will be needed to give BISP time to prepare to take on a larger role. A set of actions to be taken during this period was prepared by BISP and approved by its management, aiming to strengthen BISP capacity and to improve coordination with sector and local authorities. First, BISP will hire an IPF for 14 months, beginning in late 2016 through the end of 2017. The Terms of Reference include capacity building for the BISP staff and the phased turnover of some tasks to BISP by the last phase of the contract period. Second, BISP will adjust and strengthen its own operational structure and capacity particularly in the provincial/regional and *tehsil* offices to handle the WeT activities. New positions need to be filled with staff having the required competencies and skill sets to operate WeT. The WeT Operational Manual will be adjusted to explain the new procedures and roles and responsibilities. Both existing and new personnel will receive training so that they can fulfill their redefined and larger responsibilities in the WeT implementation. Third, the BISP needs to strengthen its relationships with provincial and district education authorities and through them schools and teachers to ensure the provision of school attendance compliance data as well as effective coordination on other aspects of the WeT operations. Currently, coordination and communication with education authorities tends to be sporadic and informal. The lesson of other countries is that this is not an easy process. It has taken time even in high-capacity countries such as Mexico and Brazil and needs the complete support of higher-level authorities and government agencies. BISP will organize and make operational Provincial/Regional Coordination Committees and build on the District Coordination Committees formed during the previous IPF phase. Education and local government authorities also will be trained on the WeT and compliance monitoring protocols. Fourth, an additional challenge in the case of Pakistan is defining arrangements for private schools. For that, BISP will coordinate with the Education Foundations located in the provinces/regions and districts.

44. The planned distribution of roles during the transition period is laid out in the middle column of table 4. During 2017, the focus will be on the WeT institutional consolidation through the strengthening of the BISP capacities and coordination with education authorities. By the first quarter of 2018, it is anticipated that BISP will have taken over responsibility for coordination of several key tasks, as well as the recurrent program registration for new and previously left-out children and data entry for compliance information.

Table 4. Distribution of Responsibilities in the WeT

WeT Activities	Agency Responsible		
	Current	2017/2018	2018/2019
Macro-Supply Capacity	BISP	BISP	BISP

WeT Activities		Agency Responsible		
		Current	2017/2018	2018/2019
Assessment				
Social Mobilization and Communication	Coordination and Supervision	IPF	BISP	BISP
	Implementation	IPF	IPF	IPF
Mapping of BISP Beneficiaries		IPF	BISP	BISP
Micro-Supply Capacity Assessment	Coordination	IPF	BISP	BISP
	Assessment	IPF with education officials	BISP with education officials	Provincial Education Departments (public schools) and Provincial/Regional Education Foundations (private schools)
Program Registration	Coordination	IPF	n.a.	BISP
	First round of registration (massive)	IPF	n.a.	IPF
	Subsequent registration (open process)	IPF	BISP	BISP
School Admission		Parents/IPF	Parents/Schools/IPF/District Education Departments (public schools) and Private Schools Association (private schools)	Parents/Schools/District Education Departments (public schools) and Private Schools Association (private schools)
Recording of Compliance Information		Schools	Schools/District Education Departments (public schools) and Private Schools Association (private schools)	Schools/District Education Departments (public schools) and Private Schools Association (private schools)
Collection of Compliance Information		IPF	IPF	BISP or District Education Departments
Entry of Compliance Information Data		IPF	BISP	BISP
Cash Payment		BISP	BISP	BISP
Case Management		BISP	BISP	BISP

45. Once the consolidation phase of the BISP WeT program implementation is finished (from the second quarter of 2018 onward), the more institutionalized operating structure will be the base to expand coverage so that WeT moves closer to the goal of becoming a nationwide program. By that time, responsibility for the collection of attendance compliance data will need to be determined—the options are either BISP or District Education Departments—and will depend on the outcomes of discussions with the education authorities in the coordination committees already mentioned. Memoranda of Understanding (MoUs) with Provincial Education Departments and Provincial/Regional Education Foundations will define the respective roles and responsibilities of BISP, education authorities at the provincial/regional and district levels, and school teachers.

46. The registration of children in new districts (additional to the current 32) will begin in early 2018 when eight additional districts will be added. In each of the next two years (2019/2020 and 2020/2021), WeT will be rolled out to five additional districts. This will bring the WeT coverage to 50 districts, roughly one-third of the total districts in Pakistan (154). As a result of the expansion, the number of families and children participating in WeT will rise accordingly (1.1 million and 1.5 million, respectively) by the end of the project. The BBCs will be formed in the new districts, and mother leaders will be trained to support the WeT participation and compliance.

D. Complementary Services

47. BISP has proven results in increasing consumption levels, asset ownership, and primary school enrollment rates and in reducing poverty and malnutrition. Nevertheless, participation in BISP alone is unlikely to be sufficient to promote either economic self-sufficiency or a sustainable exit from poverty for most poor households since they face multiple constraints. Several years ago, BISP attempted to design and implement programs to provide health insurance, interest-free loans, and skills training to beneficiaries. In practice, these initiatives proved difficult to manage in-house and had mixed results. For that reason, the BISP Board decided to discontinue these programs and advised the management to instead implement a strategy of promoting the access of the BISP households to social and productive programs operated by other agencies.

International Experience

48. Several long-standing, well-performing social safety net programs in other countries have strategies to connect beneficiaries to other productive or social services. At one end of the spectrum, programs such as Chile Solidario have implemented a sophisticated social intermediation service that includes family counseling provided by professional social workers and guaranteed or preferential access to a specific set of services and programs facilitated through agreements negotiated with providers (table 5).

Table 5. Examples of Service Connections in Chile Solidario

Dimension	Guarantees	Preferential Access
Identification	Free ID card	—
Health	Enrollment in free public health services	Technical aids for disabled Oral health for students
Education	School retention subsidy (paid to schools) School feeding Early childhood education	Education scholarships Parenting workshops (schools) Life skills program Child care services
Family dynamics	—	Family communication workshops Family violence treatment

Dimension	Guarantees	Preferential Access
Housing	Clean water consumption subsidy	Habitability program (housing improvements) Regularization of land titling
Employment	—	Program to support youth employment Job placement services Self-employment programs Employability programs Program to Develop Employment Competencies for Women Hiring subsidy
Income	Noncontributory child allowance Noncontributory social pension	Support to own-consumption production

Source: World Bank staff based on program information.

49. On the other end of the spectrum, the strategy may be providing information to beneficiaries on programs and services. A summary of the experience of those countries (Mexico, Brazil, and Ethiopia) considered most relevant for Pakistan appears in Box 1. All are large, nationwide programs, but differ on the mechanisms for promoting access to complementary services and the range of services. Lessons learned from these and similar initiatives inform this assessment of BISP’s capacity to promote the access of its beneficiaries to complementary services and the proposed BISP strategy during Program implementation.

BISP Status on Complementary Services and Plans

50. The BISP beneficiaries are already participating in other programs—over 100,000 in microfinance alone. Currently, most of the collaboration between BISP and complementary service providers is ad hoc. Some agencies use the data in the NSER to target their interventions, although in many cases, the cutoff scores for eligibility differ from BISP. BISP has an understanding with 10 service providers to periodically receive beneficiary enrollment and identification information to compare with the BISP beneficiary data. In a few cases, information on the location of the 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.

51. Table 6 provides figures on the number of BISP beneficiary family members currently accessing selected complementary services through any of the mechanisms mentioned above. These beneficiaries have been identified by BISP through data matching, possible since BISP and other programs use the Computerized National Identity Card (CNIC) number as a unique identifier. Among the service providers who have shared information with BISP, to date, there are nearly 140,000 participants of various programs, including over 100,000 in microfinance programs. Nearly 80,000 are in programs for which an MoU exists with BISP.

Table 6. BISP Beneficiary Family Members' Participation in Selected Complementary Services

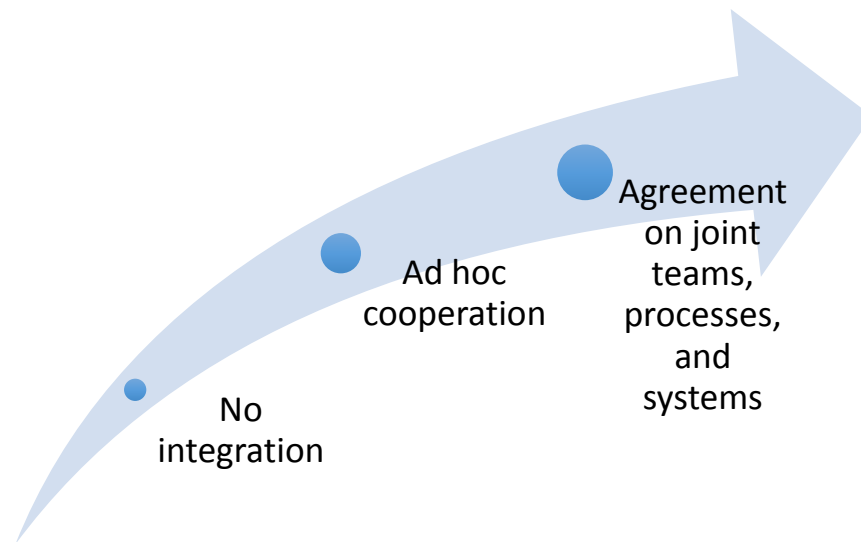
Organization Providing Program or Service	Individuals from BISP Families ^a	BISP Beneficiaries	Nature of Service	
Akhuwat ^b	21,849	9,373	Microfinance loan	
Chief Minister Punjab Self Employment Scheme (CMSES) - Akhuwat ^b	49,776	30,945	Microfinance loan	
Prime Minister Interest Free Loan Scheme (PMIFL)	Akhuwat ^b	7,110	3,679	Microfinance loan
	National Rural Support Program (NRSP)	17,514	17,420	Microfinance loan
	Pakistan Poverty Alleviation Fund (PPAF) (Other)	8,901	8,901	Microfinance loan
Punjab Rural Support Program	5,878	3,606	Microfinance loan	
Sindh Rural Support Program (SRSP)	2,798	1,667	Microfinance loan	
Baluchistan Rural Support Program (BRSP)	5,476	766	Microfinance loan	
Azad Kashmir Rural Support Program (ARSP)	961	905	Microfinance loan	
NAVTC Pakistan	13,058	8,693	Vocational Training	
TEVTA Punjab	1,589	274	Vocational Training	
Trust for History Art & Architecture, Pakistan (THAP)	769	585	Vocational Training	
Indus Heritage Trust (IHT)	923	122	Vocational Training	
Motorway Police	514	4	Vocational Training	
Aik Hunar Aik Nagar (AHAN)	1,515	1,155	Vocational Training	
<i>Total</i>	138,631	88,455		
<i>Agency having MoU with BISP</i>	78,735	43,997		

Source: BISP management as of October 15, 2016.

Note: a) Includes both the BISP beneficiary women and family member participants; b) Agency has an MoU with BISP.

52. So far, most of the BISP contracts are with service providers for productive services (microfinance loan and vocational training), but BISP plans to approach additional service providers including programs covering health insurance, disability services, self-employment, livelihoods, social assistance, rural development, and youth skill development. There is little contact with provincial programs up to now, but pertinent programs are being implemented at that level. Over the next four years, the aim of BISP is to move from ad hoc arrangements to more systematic and proactive collaboration, including by strengthening its own capacity and thereby promoting the participation of 500,000 beneficiary families in complementary productive or social services by the end of the Program. This strategy is judged satisfactory, taking into account the strengths and challenges that BISP has in this area and the planned activities that will be supported by the Program (outlined in the sections that follow).

Figure 3. Linkages with Complementary Services: from ad-hoc arrangements to systematic collaboration



53. The process of making connections implies articulation between the demand and supply sides. On the demand side, BISP can build on certain strengths. First, the program has a well-defined and well-targeted beneficiary group covering 17 percent of the population. Second, with few exceptions, all complementary programs will not be equally relevant or potentially beneficial for all BISP households, but will depend on specific household characteristics. BISP has access to information on characteristics of program beneficiaries from impact evaluations and other studies that can inform priority setting and the implementation of activities for complementary services. For example, results from the impact evaluation of the BISP Basic Income Support/ Unconditional Cash Transfer (UCT) program showed an impact on increasing household ownership of small livestock and formal savings, suggesting that the BISP grant can set the foundation for and encourage engagement with complementary services for the promotion of sustained economic self-sufficiency. The PSC contains information that can be used to characterize beneficiary households and critical gaps in living conditions. The data can be disaggregated to be the basis for identifying potential pertinent programs and partners and to guide the activities of service providers willing to enroll the BISP beneficiary family members. Information includes data on disability, employment, education, and living conditions.

54. On the supply side, the NSER presents considerable advantages as a common targeting platform that is available for the use of other programs. BISP's position as a federal safety net authority with ownership of the NSER database places it in a unique role as a facilitator and reference point for complementary programs. This role includes sharing of experience designing programs and outreach for the poor and monitoring operational results on the ground. BISP has territorial presence across the country with a structure of field offices that can support local collaboration.

55. At the same time, BISP faces some important challenges in connecting the beneficiaries to other programs. First, BISP needs to develop a more strategic approach to complementary services including the objectives and goals of the development of linkages with complementary social and productive service providers and governance arrangements. Key questions include the following: Which agencies will deliver the services? What are the sought-for results? How should results be monitored? The governance arrangements will need to define how the activities

will be monitored, managed, and overseen in BISP, including the role of the BISP Board as well as any required coordination groups. This approach needs to be consistent with BISP's accountability in connecting beneficiaries to a range of services. While BISP should work toward putting in place structured agreements with programs to promote access by the BISP recipients, inform beneficiaries about opportunities, monitor beneficiary participation (including barriers to entry and other difficulties), and facilitate data sharing, it cannot be held accountable for the impact of these programs on the welfare of the BISP beneficiaries. Also, at least in the short run, BISP must recognize that it is unlikely to be able to modify substantially the current existing supply and quality of social and productive programs in Pakistan.

56. Second, the definition and implementation of BISP's approach to complementary services needs to identify priorities for complementary services, informed by data on beneficiary characteristics and their greatest needs. The primary data source will be the updated NSER, but could be supplemented by other material (impact evaluation reports). The analysis needs to be disaggregated to highlight different priorities by regional and local government or other breakdowns (urban versus rural) and updated as new data becomes available.

57. Third, the program needs to define an operational structure for the promotion of beneficiary access to complementary services including the roles and responsibilities of the BISP staff at all administrative levels. At present, BISP does not have the requisite skills mix within its staff to identify pertinent programs, manage agreements, or negotiate beneficiary access. Staff will need to develop expertise on social and productive programs in Pakistan including their content, location, eligibility requirements, and delivery arrangements. Staff need to identify which agencies have sufficient service capacity and quality to be potential partners. As beneficiaries begin to access programs, staff will also need to understand the barriers to the take-up of services by beneficiaries and any difficulties in benefiting from service provision. As a starting point, BISP can determine coordination responsibilities and modalities for headquarters and provincial/regional offices as a step toward the realization of the complementary services component. Provincial/regional staff can be particularly helpful in identifying a menu of relevant regional and local complementary services. BISP needs to identify specific areas where staff can benefit from training and capacity development on the articulation of services and enable an open flow of information between units managing the NSER and Complementary Services, consistent with the standard data security and privacy procedures.

58. Fourth, BISP's human resource capacity to interact with and support beneficiaries in accessing complementary services is limited. Although BISP does not aspire to carry out sophisticated social intermediation with personalized support to families, it does need to find mechanisms for more direct contact with beneficiaries to support the complementary services initiative. Options include partnering with institutions that include social mobilization as an integral part of their program and using the BBCs to communicate with beneficiaries regarding available and relevant programs. Another possibility is to start by providing disaggregated data to local program managers of complementary services and agree with those institutions on promotional activities for the BISP beneficiaries that could be handled either by the agency itself or supported by BISP where possible.

59. Fifth, the program needs the supporting management tools to operationalize linkages. For example, an information module for complementary services with interoperability with other

BISP MIS modules will be required to support program functioning. Such an MIS module will include information on complementary service providers, agreements, the BISP beneficiary participation, and other metrics for program monitoring. BISP will also need to develop guidelines on how to formalize engagement with service providers. These will cover M&E arrangements with a results focus, data sharing for beneficiary identification, and the development of mutually agreed targets. Agreements with service providers will need to be consistent with the guidelines, which should be revised and improved as BISP gains more experience.

Box 1. Linking Social Safety Net Beneficiaries to Productive and Social Services

Mexico (PROSPERA). The initiative to increase access of PROSPERA beneficiaries to social and productive programs followed on the National Crusade against Hunger (CNCH), a strategy to reduce extreme poverty by prioritizing resources for key social programs in municipalities with the highest rates of food poverty. As part of PROSPERA's new coordination effort, 29 social and productive programs modified their operating rules and formally agreed to provide access to PROSPERA beneficiaries. At a minimum, 5 percent of the beneficiaries of these programs should be PROSPERA beneficiaries. Programs were selected based on their target population, their objectives, and the potential to close the gaps of the PROSPERA beneficiaries according to the multidimensional poverty measure. The program revised its operational structure and introduced dedicated staff at the state and regional service unit levels who are responsible for carrying out all activities related to informing and facilitating access of beneficiaries to complementary services. In addition, to facilitate coordination, the program created dedicated intersectoral Technical Committees for Employment, Income, and Savings at the federal, state, and local levels.

Brazil (Bolsa Familia). The strategy is embedded in the larger government strategy – ‘Brazil without Extreme Poverty’. The approach is to couple Bolsa Familia with complementary activities to improve learning opportunities in education, strengthening skills necessary for finding and retaining employment, and developing other income-generating activities. The focus of the strategy differs between urban and rural areas. For example, in urban areas, the program promotes initiatives to improve professional qualifications to improve insertion in the labor market. To support self-employment, beneficiaries are linked to both micro-credit as well as mechanisms to promote formalization. In rural areas, the emphasis is on providing technical assistance, quality seeds, and resources to acquire equipment. Local managers at the municipal level of Bolsa Familia along with state coordinators and social workers (municipal Reference Centers for Social Assistance) visit beneficiaries to help link them to complementary services. The role of the social registry (Cadastro Unico) is critical as it is the gateway that gives access to Bolsa Familia as well as many other programs.

Ethiopia (Productive Social Safety Net). The strategy involves providing access to complementary technical and financial livelihood support and promoting household savings. Clients receive tailored support through three possible pathways: (a) on-farm income generation for crops and livestock, (b) off-farm income-generating activities, or (c) links to labor market/employment. The program works with and through institutions that have the mandate to provide the necessary services and technical support. The idea is on converging existing livelihood services on safety net clients. One-stop service centers in rural towns are used to facilitate access to services covering crops and livestock livelihoods, off-farm income generation, and employment.

E. BISP Management Information System

60. Currently there are two main SP initiatives being implemented within BISP: (a) Basic Income Support (UCT) and (b) WeT.⁹ Each of these is supported by its own information system, fully independent in both data storage and access. In addition to this, BISP is also maintaining

⁹ Over the years, there were five SP initiatives being implemented within BISP: (a) basic income support (UCT), (b) the WeT, (c) the WeR, (d) the WeH training, and (e) the WeS. Out of these, the latter three have now been discontinued and BISP is currently managing and maintaining the UCT and the WeT programs.

the NSER that provides targeting and households' welfare information. The NSER application shares information with all other applications as needed throughout the operational cycle of these subprograms. Each application provides certain tools to the BISP users to view and extract stored information. The above comprises the Program Management Information System (PMIS) of BISP. BISP is the proprietor of the complete PMIS even though part of it (data for the NSER, UCT, and WeT) is hosted with NADRA under an agreement. The obligation of NADRA, in addition to physical hosting of one of BISP's servers, includes the processing of the NSER application and update of the mirror NSER database available to BISP for processing of other linked applications. The administration of the remaining PMIS (WeR, WeS, and WeH) is with BISP.

61. The BISP PMIS is built on a good foundation. Its database—Oracle—is scalable. The PMIS is also equipped to provide end-to-end solutions for the complete life cycle of program delivery. The PMIS also has IBM Cognos business intelligence software with the capability for essential reporting and data analysis for BISP. The PMIS development process has been gradual based on regular internal and external reviews.¹⁰ In retrospect, these reviews have been extremely helpful in providing an overview and direction to the BISP team.

62. The three currently running information systems of the NSER, UCT, and CCT have a number of processes reflected and operationalized through different submodules. The following sections provide details on the three respective modules.

NSER Program Module

63. The NSER applications and processes include the (a) data input and verification submodule, (b) algorithm for the PSC calculation, and (c) spot check verification interface. For data input, a scanned form for each household is provided to data entry operators (DEOs) with marked input fields. The double entry triple verification mechanism is used to eliminate data entry errors. This module is also linked with the civil ID registry of NADRA, and based on matching of CNICs some of the information like the complete name, date of birth, gender, and marital status (of women) is verified and more authentic data in the civil registry are imported into the NSER database. Cross-checks on CNIC duplication, invalid CNIC, and duplication of numbered survey forms are also part of processes managed through this submodule. Following the data entry, an algorithm is run on all valid forms that have complete scorecard information to calculate the poverty scores. Another spot check submodule of the NSER provides an interface to feed in and compare spot check data collected by a third party to calculate accuracy of the data. The NSER module is being completely run by NADRA with an audit trail available for scanned forms of each of the 27 million households. The BISP policy decision to not enroll eligible female recipient who do not have CNIC card is a strong control. There is currently no evidence to show that the subprocesses within targeting have any gaps. It is also encouraging that spot checks have been made to check the veracity of the data, and a high accuracy level of 95.4 percent was returned.

¹⁰ The PMIS has had five independent reviews in addition to constant internal assessments. These include detailed assessment of the UCT, CCT, and NSER information systems.

64. The NSER module is currently being updated to cater to the requirements of the NSER update planned to be rolled out in March 2017. The revised module will be developed and administered internally by BISP. The model will be testing two data collection approaches: (a) census and (b) desk based. For the census, BISP will be testing a computer-assisted personal interviewing (CAPI) based application for the census where smart phones/tablets will be used for direct data entry at the household location. The desk-based design will also collect information electronically through centers established at the local level for ease of access. Even though the spot check exercise will be conducted for both these approaches, there will not be any double data entry verification mechanism as data collected electronically will be directly uploaded into the NSER program module for processing. However, the application will provide this check through field supervisors' data verification mechanism that will be done on a sample basis through an inbuilt application. The rest of the cross-check, verification, and PSC calculations processes are expected to remain the same.

Basic Income Support (UCT) Program Module

65. The UCT program business model has three main cash transfer processes managed through respective submodules: (a) enrolment, which includes classification of households according to the poverty scores calculated in the targeting module (NSER) and selection of female recipient; (b) payment including the steps of production of payroll, authorization of payments, electronic transfer of payment roster to the PSPs, and reconciliation; and (c) case management that entails a set of protocols that define how appeals, changes in the form of updates, and complaints can be lodged and resolved.

66. The enrollment subprocesses are run automatically by the NADRA-administered application. The selection of female recipients is automatically executed as background services on the PSCs available in the NSER. The eligible women identified are then enrolled into the program. To ensure information integrity, there is a cross-referencing functionality with the civil registry for CNIC and marital status of each potential female recipient before enrolment. These are also the two conditions for identifying beneficiaries within an eligible household for the UCT and CCT programs.

67. Key payment processes managed by the payment module include (a) definition of payments calendar; (b) production of payroll; (c) delivering of payments to beneficiaries; (d) reconciliation of payments, and (e) closing of payment cycle. A number of payment controls are already in place. For BISP, payment is considered to be effectively made when the right recipient is paid. For the purposes of this assessment, two system indicators were evaluated: (a) separation between generation of beneficiary registry—including benefits—and benefits payment approval and (b) reconciliation of payments with the beneficiary register. In the current setup where NADRA keeps the PSC database, there is very clear separation between the beneficiary register based on enrolment and payments register derived and issued to the PSPs. There are currently fairly good controls in place, for example, database check against duplicated CNIC, integrity checks and the approval level for appeals and the pre-payroll audit by the finance team. The payroll generated by the payments department goes through a payment verification interface where the Finance and Accounting Department completes an independent verification through an audit generated from the database on the parameters defined for the payroll. This validation provides comfort to the final approving authority and also leaves an electronic trail of audit in the

system for subsequent external audit reviews. Currently, more than 95 percent of the cash is transferred to the beneficiaries through electronic means and hence provides an easier mechanism for reconciliation.

68. Case Management System (CMS) is one of the BISP processes that have a simple, user-friendly, and user-owned and driven interface. The web-based case management module has a number of protocols that have been well documented and cover three subcomponents: (a) updates, (b) appeals, and (c) complaints. The CMS is a decentralized workflow system. It is designed to operate at four levels: (a) *tehsil* level where the DEO captures the cases, (b) Assistant Director (AD) level, where the AD verifies the details captured and either sends back the application to the DEO or accepts the details, (c) Regional Director level, where the appeals, complaints, and updates are either approved or rejected, and (d) BISP headquarters where monitoring is done. The system is developed by the team that is Capability Maturity Model Integration (CMMI) Level 3 certified.

69. The CMS is built as a web-based decentralized system operated at BISP level. The CMS handles two BISP program elements:

- (a) updates relating to cases where eligible female beneficiaries acquire CNIC cards and want to update their details so as to be enrolled into the cash transfer programs and
- (b) appeals arising from the households who have a PMT score of between 16.17 and 20 and meet any of the following four additional conditions:
 - (i) At least one member of the household with disability
 - (ii) At least one senior citizen within the household
 - (iii) Household with three or less members
 - (iv) Households with more than three children under 12 years of age

70. Payment Case Management System (PCMS) is another submodule that caters to the complaints and updates specifically related to electronic payments and extends an interface to the PSPs/banks; additionally, the system also caters for the death marking or change of address complaints coming from *tehsil* offices as well as BISP call center. The system is decentralized and works between the BISP *tehsil* offices and banks. It is designed to operate at three levels: (a) *tehsil* level where the AD captures the cases and forward it to banks and is also the focal person for service delivery to beneficiaries when the cases are resolved; (b) bank level where each partner bank receives the case and resolves the card/payment/point of sale (POS) related issues and logs the resolution; and (c) BISP headquarters/regions where monitoring is done. The system is operational since 2015. It has been upgraded and converted to a desktop-based system with added security of mac binding and SMS-based code verification at the time of each login. The system has catered to over 120,000 complaints as of August 2016. The system is being evolved to cater additional complaints, specifically incoming complaints related to biometric-based payment(s) collection.

71. The constraint in case of the UCT modules is that the BISP operational users have to use different systems for various types of complaints and that too with varying levels of maturity. The *tehsil* offices as well as regional and divisional offices are accessing the two systems described above (CMS and PCMS) over the Internet. The PCMS has undergone multiple iterations of update over the last one year, but a concerted effort is required to ensure that these systems are integrated and brought to a singular platform for efficient processing.

72. Another related concern is the ability and ease in data sharing as BISP is the custodian of the NSER from which all national programs seek targeting and enrolment information. In the last three years, BISP has performed over 65 instances of data sharing with over 3 million beneficiary records. All of this data sharing has happened manually through CDs after applying the selection criteria on scripts (queries) that run on the database. There is a continuous requirement of data sharing including the requirement for incremental data sharing, which has to have the necessary application and exchange mechanisms in place. There is also a growing need to look at NSER as a knowledge repository of all targeted programs that can electronically exchange and update data based on information inflow from other programs with administrative databases.

CCT Program Module

73. The CCT Information System is currently functioning in all 32 districts where the program is being implemented. It is a web-based module developed in-house by BISP's MIS team and includes the submodules of (a) Supply Capacity, (b) Enrollment in the program as well as School Admission Compliance; (c) Attendance Compliance; (d) Payments; and (e) Case Management. All these modules are user friendly and layered with essential access control. The supply capacity module enables the implementation staff to register all the schools and the respective capacity into the system. The system is available for offline and online working. A total of 55,550 schools have been registered using the system. Over 37,000 schools were involved for compliance listing in the second quarter of 2016. The enrolment submodule (available online/offline) allows field-based registration of the CCT beneficiary families and children and also allows for the update of family information in the CCT module while maintaining the link with the household data collected at the time of the NSER survey. The module also has an offline version to cater for enrollments in areas where Internet access is limited. Over 1.64 million students have been enrolled into the program. Once a family is registered, they have to obtain evidence of admission from the respective school where the child is enrolled, which then is fed into the admission compliance (available online/offline) submodule again at the field level. At this stage, the child is enrolled into the program and is monitored for regular attendance compliance. Over 1.3 million students of 0.53 million families have been admitted, and their attendance is verified. The data collected from the respective schools on a quarterly basis is then entered into the attendance compliance submodule to generate a list, informing of the current status. This list of complying families and children is then fed into the payment module to generate the payroll. The CCT module also has its separate case management modules dealing specifically with update, appeals, and grievance related to the CCT program—which has catered to 922 complaints to date.

74. The complete CCT module is stand-alone and only interacts with the NSER and UCT modules to update the BISP beneficiary family status from time to time, also importing the

necessary fields for CCT program processing. The following additional information is currently captured on the CCT information system and does not replicate to the BISP database administered by NADRA: (a) names and ages of beneficiary children between ages 5 and 12 and (b) new children of the beneficiary families turning 5 years. With the plans for expansion, it is essential in the long run that the UCT and CCT modules be integrated and that there is seamless and non-duplicative flow and update of information in the overall database.

Reporting Module

75. Cognos is the core reporting module deployed in BISP. It covers programs including (a) Basic Income Support with eligibility, beneficiary status, payments, and case management; (b) all submodules of WeT ; and (c) the NSER desk-based registration. The data reported on the CCT and NADRA desk-based registration is live, while the reporting on UCT is with a 24-hour lag, since each night, it runs the aggregator on data received during the day. The system is available at BISP headquarters. An internally developed query management module is also deployed, which sends automated e-mail alerts, on complete program data, to different users (in head office, regions, and divisions) based on their access rights and usability frequency. The system covers all the reports deployed on Cognos and in addition hosts more detailed data reports on the CMS, BDC/smart card, and mobile payments.

76. Reporting has been a weak area for BISP, and there is a lot to be desired. Decent improvements can be made in the reports, and accessibility and utility of the module can be extended to provide very useful reports at all operational and strategic levels.

77. Under the Program for Results, the World Bank's technical support and assistance will help BISP in developing the NSER into a core database with a unified interface. Integration, integrity, process streamlining, and appropriate access to information are the four main themes of focus. The following section provides specific actions which will be supported by the program.

78. **System unification and integration.** As explained above, BISP has three different instances of segmentation within the system. It is important for a robust PMIS to have a live database with scalability, data consistency, and integrity for which a well-integrated database is an absolute necessity. If systems are not unified at the core level, the expectation to use NSER as a national database for social program becomes risky.

79. BISP has segregated administration even for its core system. The systems are currently hosted in multiple environments with different access levels. This limits the system extensions, modifications, and unification. BISP's software modules have multiple interfaces. For complaints, there are three different systems, which require integration. Similarly, payments have a generation interface as well as a validation interface. The WeT initiative has a stand-alone separate system not talking to the core system for targeting or case management data updates.

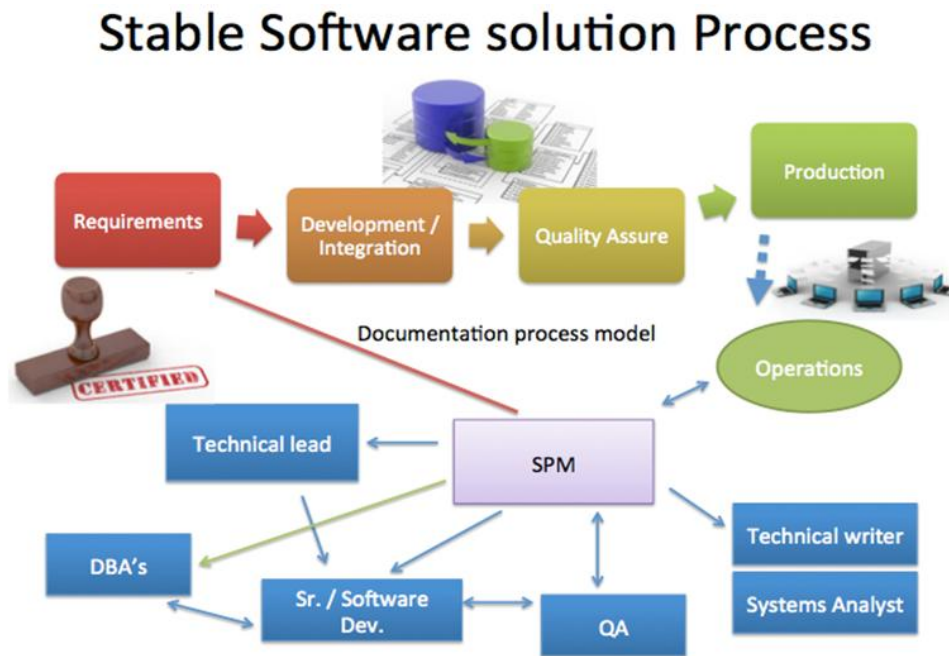
80. BISP will work toward bringing unity into the systems on core linked data and also on shared interface points to the operational users in head office as well as field offices.

81. **Standardized PMIS processes and certification.** BISP PMIS is following basic processes on needs basis for change management, new requirements, development, and deployment. BISP needs to bring in proper user roles to execute the processes more efficiently

internally within the PMIS, with functional hierarchy, and also to interface with operational staff to enable operations to run more effectively.

82. Different software systems are working in the BISP paradigm, developed by different sources with different stability standing. All systems need to stand at the same minimum scale and be certified for process credibility. BISP needs to achieve certification level (ISO 27001 equivalent) to implement relevant security processes and provide effective data sharing while protecting this national asset of information. The following diagram provides the streamlined and stable processes that the Program will aim for.

Figure 4. Streamlined and stable processes



83. **Data sharing and taking NSER beyond BISP.** The manual handling (of data and query-based extractions) needs to be shifted to system-based execution. The system needs to be enhanced to a level with approval workflow for any kind of sharing with relevant responsibility. Data sharing quantum is growing significantly with several organizations having routine operational reliance on NSER data. All data integrations with external long-term and short-term partners need to be made seamless and transparent through an automated system with complete audit trail. Streamlining the data sharing through the system will also make the NSER data more dynamic and take it beyond just a PMT-based information to an integrated program-level collaboration beyond BISP.

84. **Advance analytics/ reporting.** Providing the timely and accurate information to the right access point is where BISP needs to work further on. For this, a detailed assessment of the information requirements will have to be conducted, and accordingly, the PMIS will be tailored to provide appropriate information to the respective tiers within the organization. This will improve operational, management, and strategic decision making for the program.

85. BISP's NSER has a huge quantum of household and geographic information, which is expected to be supplemented with information from other programs, as the two-way data-sharing process is streamlined. It is important that this information is captured and analyzed to allow important policy decision.

86. With these two objectives in mind, BISP will engage necessary resources to enhance data analytics and reporting capabilities. Existing reporting modules will be expanded and refined further to include both internal and external reporting requirements.

F. Payments System

87. The quality of payment mechanisms used to deliver cash or near cash transfers has a direct impact on the success or failure of SP programs. The ability of these programs to deliver cash transfer payments to the right people, at the right time, in the right place, in the right form, in an efficient manner, and in the correct amount is intrinsic to the success of the program.¹¹ A well-implemented SP payments mechanism can deliver transfers and also serve as an entry point for financial inclusion and access to a range of financial services.¹²

88. The international experience with electronic payments is rich and varied. Most countries in Asia, including Bangladesh, China, India, Indonesia, Mongolia, and Philippines, provide electronic payments to beneficiaries, using bank accounts for the major SP programs. Internationally, the early adopters of electronic payments such as Mexico and Brazil are now using electronic payments not only for efficiency and timeliness but also to pave the way for financial inclusion of their beneficiaries. Mexico, for example, started to provide cash transfers to PROSPERA beneficiaries using a smart card in partnership with MasterCard. The program disburses cash to over 6.5 million beneficiaries (mostly women) who will be able for the first time to deposit funds, receive social payments, perform savings, and conduct other financial activities, supported by electronic payments that provide them with greater security, control, and convenience.¹³ In Brazil, Caixa pays Bolsa Familia beneficiaries using a debit/ATM card, and as part of the financial inclusion project launched in 2009, beneficiaries can open a simplified bank account in Caixa called 'Caixa Easy Account', which allows a limited number of financial services.¹⁴

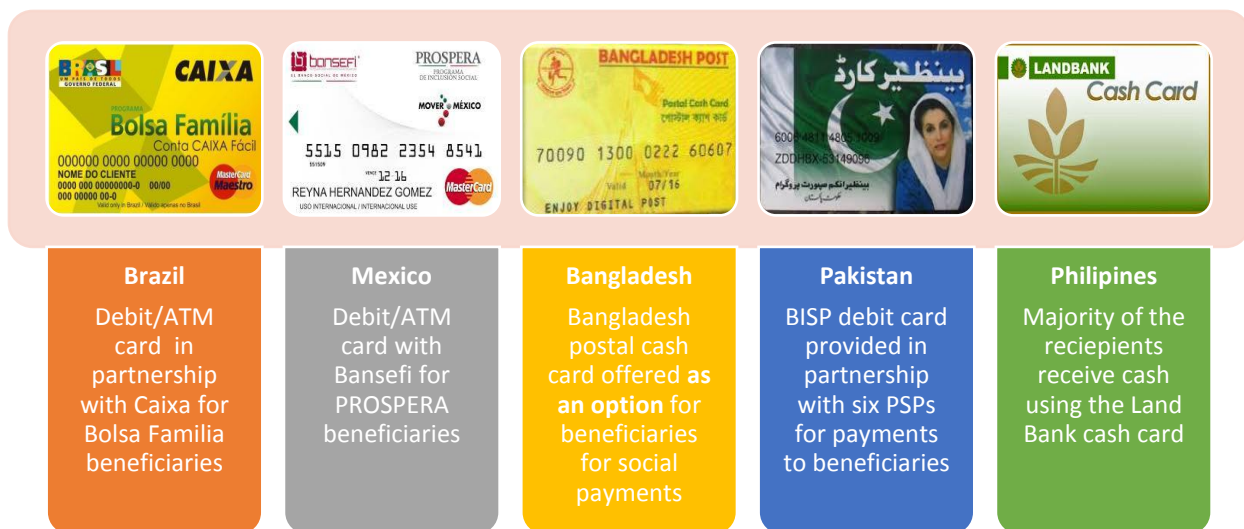
Figure 5. Selected Countries Using Debit/ATM Cards for SP Payments

¹¹ Introduction to the Social Protection Payment Delivery Mechanisms Assessment Tool – ISPA 2016, available at <http://ispatools.org/wp-content/uploads/2016/09/introduction-social-assessment-payments.pdf>

¹² <https://blogs.worldbank.org/voices/5-ways-universal-financial-access-can-help-people-build-better-life>

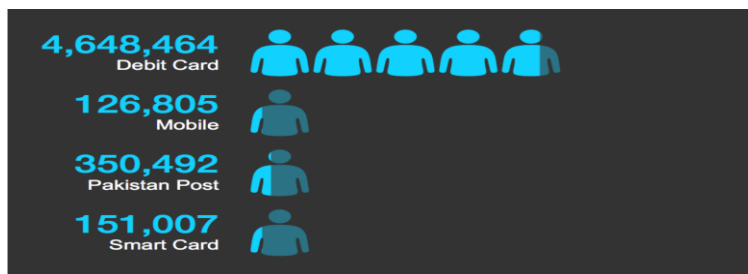
¹³ <http://newsroom.mastercard.com/press-releases/electronic-payments-driving-largest-financial-inclusion-program-mexico/>

¹⁴ https://publications.iadb.org/bitstream/handle/11319/7210/How_does_Bolsa_Familia_Work.pdf?sequence=5



89. Pakistan compares well with the regional and international experience. Initially, BISP started the disbursements through the Pakistan Post using money order system in 2008. Subsequently, it conducted various pilots in 2010 (with NADRA using smart card) and in 2011 (with banks and telecoms using mobile banking). Currently, approximately 5.4 million beneficiaries receive cash transfers on a quarterly basis, and almost 93 percent of these payments are made using delivery channels driven by branchless banking infrastructure and transferred electronically using debit cards, smart cards, and mobiles phones. The electronic payments are handled by six financial institutions that have been awarded various districts for transferring cash transfer payments on behalf of BISP. The remainder 7 percent of the beneficiaries still receive payments using money orders through the Pakistan Post, which is the only viable solution in far-flung areas, due to the lack of mobile and banking systems infrastructure.

Figure 6. Various Payment Instruments Used by beneficiaries in 2015/2016



90. With respect to financial inclusion, all electronic payment systems at BISP are utilizing digital transaction accounts for transferring cash to beneficiaries' accounts, as per the minimum thresholds set by the National Financial Inclusion Strategy for electronic payments in the government-to-person (G2P) space. The opening of these accounts is supported by the issuance of CNICs by NADRA to the beneficiary women. This has led to the empowerment of the BISP beneficiaries by providing them access to the national ID cards and enhancing their ability to take decisions on the use of cash transfers.

91. Still, the current payments system of BISP also faces challenges, in particular with respect to the number of payment points, lack of financial literacy of beneficiaries, and inadequate quality of services by the PSPs. Therefore, BISP is currently moving forward toward a more beneficiary-centric model:

- (a) 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.
- (b) 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 the ultra-poor BISP beneficiaries face literacy challenges unless effective communications are carried out.
- (c) Beneficiary payments will be authorized using biometrics verification in collaboration with NADRA at payment points (biometric-enabled POS or ATM), before withdrawal of funds to ensure none or minimum interference of ‘middle parties’ (who often withdraw cash on behalf of beneficiaries). Recently, BISP has piloted biometric cash withdrawals through biometric authentication in a number of districts starting from Larkana in Sindh. This experience has been positive with minimum issues pertaining to biometric authentications, which highlights the potential of this approach to ensure timely and secure payments. Based on the successful pilot in Larkana, BISP has further initiated cash withdrawals using biometric authentication in four additional districts across Pakistan.
- (d) Currently, the banks are responsible for payment complaints of the 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 (PINs). However, the banks are not equipped to handle this segment with their regular call centers. 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.
- (e) 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 postpay model for service charges with key performance indicators (KPIs) and penalties.

V. Budget Process and Expenditure Framework

92. The Government’s expenditure framework for BISP envisages spending of US\$5 billion over the next four years (table 7). The World Bank funding would be US\$90 million through DLIs and US\$10 million as technical assistance (TA), which is a small fraction of BISP’s total budget during the life of the Program. 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 7. BISP - Budget Estimates from FY2015/2016 to FY2020/2021 - US\$, millions

	Head of Accounts	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	Program Estimated Expenditure 2017/18-2020/21
		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.

93. The impetus for the prioritization of social sector spending in Pakistan was provided by the Poverty Reduction Strategy Papers (PRSPs) I and II that covered the periods 2003–2008 and 2008–2011.¹⁵ PRSP I listed ‘Social Safety Nets’ as one of its foundational pillars. This was replicated again in the PRSP II.¹⁶ These policy pronouncements mainstreamed social sector spending as a national economic policy agenda, which has subsequently translated into (a) tracking of budgetary and non-budgetary expenditure on social sectors by the Ministry of Finance (MoF), which publishes quarterly reports on ‘PRSP expenditure on pro-poor sectors’ that include budgetary and non-budgetary expenditure on social safety nets; (b) the formulation of an NSPS in 2007, which laid the foreground for the institutional architecture governing this sector; and (c) continued provision of budgetary allocations by the MoF for the BISP, which was launched in 2008. Continued policy focus on SP is also demonstrated by the Pakistan Vision 2025 document, which seeks added support for the vulnerable and marginalized segments of society, envisions inclusive growth, and aims to substantially reduce poverty and improve income distribution.

Budget Process and Structure

94. The federal budget preparation process is initiated with the issuance of the Budget Call Circular by the MoF, generally in December of the financial year preceding the budgetary year.¹⁷

¹⁵ PRSP. “Accelerating Economic Growth and Reducing Poverty: the Road Ahead.” Ministry of Finance, Government of Pakistan. 2003.

¹⁶ Poverty Reduction Strategy Paper II. Ministry of Finance, Government of Pakistan, 2008.

¹⁷ Budget Call Circular 2015/2016. Ministry of Finance, Government of Pakistan.

The budget documents have evolved from being iterations of historical allocations with built-in increases for the next financial year to medium-term financial planning documents that are now constructed as ‘Output-based Budgets’. This is spelled out in the Budget Call Circular, which calls for budget estimates for the next year, revised estimates for the current year, and Medium-term Budget Estimates for three years, to be prepared by line ministries and attached departments by designated dates. The various stages of the budget preparation process, along with time lines, are as follows:

Table 8. Key Activities and Time Lines for Budget Preparation

Budget Activities and Agencies Responsible	Deadlines
Issuance of Budget Call Circular by MoF	Third week of December
Letter of Indicative Budget Ceilings (3 years) to the Principal Accounting Officers of Ministries/Divisions for current expenditure and development expenditure, issued by MoF	Third week of January
Last date for Submission of Budget Forms by Ministries/Divisions for current and development expenditure	Third week of March
Review of Budget in Priorities Committee Meetings (Action by MoF, Planning Commission, Economic Affairs Division, and Ministry/Department concerned)	First week of April
Annual Planning Co-ordination Committee (APCC) meeting coordinated by Planning Commission	Last week of April
National Economic Council Meeting (action by MoF)	First week of May
Submission of Final ‘Green Book’ report to Budget Wing (Medium-Term Budget Framework Secretariat), Finance Division, and other budgetary social sector programs	Middle of May
Presentation of the Budget to the Cabinet and Parliament	First week of June

Source: Budget Call Circular 2015–2016. Ministry of Finance, Government of Pakistan.

95. The Federal Budget in Pakistan can be broken up into two expenditure categories— - Current Expenditure and Development Expenditure. The MoF is the focal Ministry that deals with the formulation, disbursement, and monitoring of both categories of public expenditure while the Planning Commission deals exclusively with development expenditure, its activities in many cases, carried out jointly with the MoF.

96. Releases to various ministries and departments are made by the MoF for current expenditure. In the case of development expenditure, sanctions are issued by the Planning Commission, while actual funds are released by the MoF. Disbursements are typically made quarterly out of the Federal Consolidated Fund, a supra-account for governmental receipts and expenditures. Departments whose budget is based on detailed head-wise classifications of expenditure in the budget documents allocate releases based on those approved heads. Other departments, such as BISP, that are provided a ‘one line’ budget distribute the funds so provided among various schemes that may or may not follow the detailed heads of the Chart of Accounts (the standard classification of government receipts and expenditures).

Funds Flow and Disbursement Mechanisms

97. The budgetary allocation for BISP is classified in the Federal Budget 2015–2016¹⁸ as ‘Development Expenditure Outside [the] Public Sector Development Programme’. This category covers programs that are prioritized by the Government in terms of funds’ allocations. Both

¹⁸ Federal Budget Details of Demands for Grants and Appropriations 2015/2016 Development Expenditure. Ministry of Finance, Government of Pakistan.

BISP and Prime Minister’s Special Schemes are broadly subsumed under ‘National Income Support Programme’. The allocation for BISP stood at PKR 102 billion for the FY2015/2016. This is by far the largest allocation, in the PSDP or otherwise, for any single scheme or program. Allocations in the PSDP tend to be skewed toward donor contributions, in that a year’s total funding would contain a significant proportion of funds from donors while the GoP’s share would in many cases be minimal. In the case of BISP, this has largely tended to be the reverse, with the GoP being the major contributor. For example, in 2014/2015, the last full financial year for which data is available, 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.¹⁹

98. As stated above, BISP’s budget is provided as a ‘one line’ item in that detailed head-wise classification of expenditures is not made by the MoF. Rather, funds are released, typically quarterly, by the MoF (in lump sum) leaving it to BISP to allocate and classify them into the various initiatives being undertaken. Funds provided to BISP are classified as development expenditure and not current expenditure. This is the usual pattern followed for development schemes where rupee cover provided by the GoP is booked as development expenditure along with ‘Foreign Aid’ disbursed by a donor agency.²⁰ Booking all expenditures in cash transfers as development expenditures differs significantly from other countries. The expenditure on the majority of cash transfer programs is classified as recurrent expenditure and not development expenditure.

99. Robust allocations of funds by the GoP have ensured that BISP’s initiatives have not been underfunded. As the flagship social safety net program of the Government, donor commitment has been high, with the World Bank, U.K. Department for International Development, Asian Development Bank, and the United States Agency for International Development being the most important development partners. The GoP’s budgetary allocations along with donor shares are shown in table 9:

Table 9. Actual Expenditure of BISP - PKR, 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: Finance and Accounts Wing, BISP.

100. Budgetary allocations provided by the GoP have more than doubled from 2012/2013 to 2015/2016 (Table 8). The number of beneficiaries has increased proportionately from approximately 1.7 million in FY2009 to 5.29 million at the end of March 2016.²¹ Of the total expenditure, the basic income support/UCT represents the largest component. The benefit level has increased from the initial PKR 1,000 per month per family to PKR 1,500 per month per family in 2014, and subsequently to PKR 1,567 per month per beneficiary with effect from July 1, 2015. Table 10 depicts BISP’s programs along with yearly expenditure.

¹⁹ Based on expenditure data provided by Finance and Accounts Wing, BISP.

²⁰ Public Sector Development Programme 2014/2015. Ministry of Planning, Development and Reform, Government of Pakistan.

²¹ Pakistan Economic Survey 2015/2016 Chapter 15: Social Safety Nets. Ministry of Finance, Government of Pakistan.

Table 10. Program-wise Expenditure - BISP (PKR, Millions)

Head of Account	2012/2013	2013/2014	2014/2015	2015/2016^a
UCT (basic income support)	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: Finance and Accounts Wing, BISP.

Note: Other initiatives include WeH (micro-credits), WeR (skills training), WeS (health insurance), and Emergency Relief Package. In 2016–2019, there is no allocated/projected budget for these programs; a) Figures for FY2015/2016 are budgetary amounts for the year. For the other years, actual expenditure is shown.

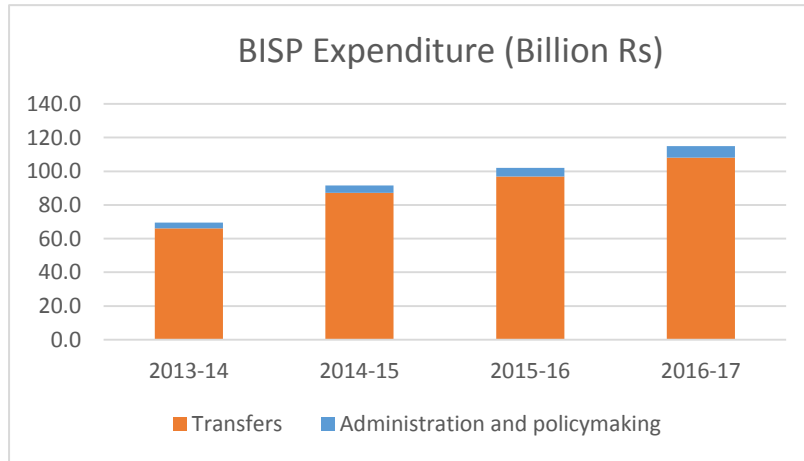
101. As can be seen from the table 10, the UCT is by far the biggest grant disbursed by BISP. Out of the abovementioned amount, PKR 83.472 billion was spent by the GoP, while PKR 11.292 billion was contributed by donors in FY2015/2016. This demonstrates a high level of commitment by the GoP and makes the program financially sustainable. The total allocation of PKR 102 billion for the year 2015/2016 was further raised to PKR 115 billion for the FY2016/2017. The amount of PKR 294 million for health insurance is funded 100 percent by the GoP.

102. The World Bank–funded Project for Improvement of Financial Reporting and Auditing (closed December 2015) has enabled online processing, retrieval, and dissemination of financial data for over 500 sites all over Pakistan. With the initiation of the Chart of Accounts based upon the New Accounting Model, expenditure can be readily tracked, for entities that are linked with the system. This expenditure tracking is possible for BISP. Detailed head-wise budget and expenditure data made available by BISP show that the biggest initiatives, namely the UCT and CCT, both have an object code, which can be readily tracked. Other expenditure has similarly been coded this way, again adhering to the standardized Chart of Accounts.

Efficiency of Program Expenditures

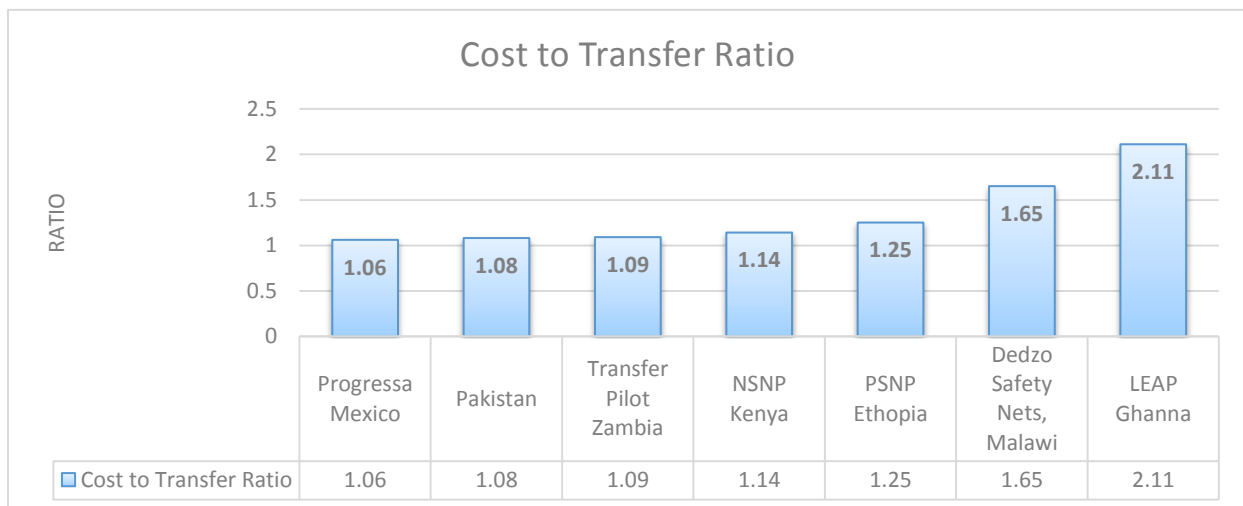
103. Figure 7 shows the cost efficiency of the UCT and CCT over four years based on the Government’s Medium-term Budget Framework. The data for 2013–2015 represent actual expenditure, while the data for 2015–2017 are based on budgeted amounts. The total administrative costs include service charges for cash transfers, research and consultancy costs, funds spent on awareness campaigns, salaries of the BISP staff, and other administrative expenses related to BISP. However, it does not include some of the initial costs of BISP such as the cost of the NSER, which was developed during 2010–2011.

Figure 7. Cost Efficiency of the BISP Programs



104. Still, even when including the estimated NSER cost over the next four years (2017–2021, the duration of the Program), the total projected Cost to Transfer Ratio (CTR) still compares well to similar programs in other countries.

Figure 8. CTR Comparison



VI. Institutional Arrangements

Borrower Commitment

105. The Vision 2025 document sets out Pakistan’s development strategy. In that document, the Government recognizes the importance of SP to ensure social equity and inclusion and states that BISP will be expanded in size and scope, highlighting WeT. In the last two years, the GoP invested about US\$1 billion annually in BISP through the federal budget. Adequate financing for BISP is included in the Medium-term Expenditure Framework 2016/2017–2018/2019, including the necessary higher spending to accommodate the planned expansion in WeT. There was specific mention of BISP in the most recent Budget Speech of the Finance Minister highlighting the effort to provide relief to the poor and vulnerable and the intention to expand coverage. In sum, the Government has demonstrated a commitment to sustaining BISP as a program and its financing.

106. The Government's track record in implementing the program is good. Financing for BISP actually rose after the recent change in administration, and in recent years, actual budget expenditures have been timely and in line with commitments. Important investments continue in the building blocks of a robust safety net system, including the NSER, technology-based payments, grievance redress mechanisms (GRM), and third-party monitoring, consolidating BISP as the country's safety net authority.

107. Over the last couple of years, BISP systematically organized annual stakeholders' workshops (including civil society, academia, and provincial governments' representatives) to present results and discuss the way forward. The last two workshops confirmed a substantial support of the program design and implementation.

Capacity of Implementing Agency²²

108. BISP is an autonomous authority under an Act unanimously approved by the federal parliament in 2010 that defines the objectives of BISP, its governance structure, and key responsibilities of the BISP Board and management. BISP is headed by a Chairperson along with a Board, which consists of 11 members from both the public and private sectors. The Chairperson provides strategic guidance and ensures implementation of the program in accordance with the decisions of the Board. Given that BISP functions as an autonomous authority, it receives a single line budget from the Government with the flexibility of allocating resources for its core programs as well as the administrative costs necessary to ensure quality in implementation. In addition to approval of the budget submitted by the BISP management, the Board takes decisions on financial aspects of the program, makes regulations, and approves policies and criterion for the selection of eligible families for financial assistance under the program. The Secretary of BISP, who is also 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.

109. BISP has a centralized operational structure. In addition to the headquarters in Islamabad, there are 6 provincial/regional offices, 33 divisional offices, and 383 *tehsil* offices currently functioning. Overall, the BISP staff have adequate qualifications and experience to deliver the current roles and responsibilities, and there is no major deviation from assigned standard roles and responsibilities. However, BISP's capacity for service delivery needs to be enhanced as the complexity of its mandate increases. Some issues need to be addressed, in particular the take-on of activities related to WeT and complementary services. For example, the number of staff in each field office should be related to factors such as workload, geographical profile of locality, and number of beneficiaries, instead of being standard. Not all sanctioned *tehsil* offices or staff positions at the field level are filled. Coordination with the local government stakeholders, specifically with the newly elected local governments, needs to be strengthened and structured more formally. Responding to the need for continued training, BISP has recently prepared a comprehensive Annual Training Plan for staff at headquarters as well as in the field offices.

²² This section draws on 'Draft report on capacity assessment of Benazir Income Support Program (BISP) Field Offices.' December 2016. EY Ford Rhodes.

Oversight and M&E

110. There are several oversight mechanisms. Foremost is the BISP Board that plays a key role in reviewing and approving the budget and program rules and regulations and in overall monitoring to ensure transparency. Supervision of field offices takes place through physical monitoring visits and the review of various reports, but visits need to be standardized and reporting needs to be made complete and more regular. An independent internal audit office submits its reports to the Board. The Auditor General of Pakistan carries out an annual financial audit of the program. In addition, third-party reviews covering various operational aspects of the program are carried out regularly and disseminated.

111. BISP has a dedicated M&E Wing that is responsible for devising and guiding the overall 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 program monitoring data is produced upon request, more regular standardized reporting needs to take place to be used by management and made available to the public. BISP prepared detailed M&E plans for the Program lifetime, which will include additional indicators to be monitored with priority, as follows:

Table 11. Monitoring Indicators

	Indicators	Unit of Measure	Baseline	Frequency	Data Source/ Methodology	Responsibility for Data Collection
1	Number of households with updated/new poverty scorecard 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 <i>tehsil</i> offices staffed in accordance with redefined responsibilities	%	0.00	Annual	<i>Tehsil</i> office resource allocation plan	BISP
6	Percentage of WeT grievance redress claims settled within 3 months	%	60.00	Quarterly	BISP MIS report	BISP
7	Percentage of NSER update grievances settled within 3 months	%	0.00	Quarterly	BISP MIS report	BISP

Indicators		Unit of Measure	Baseline	Frequency	Data Source/ Methodology	Responsibility for Data Collection
8	Number of districts implementing 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 Error, Fraud, and Corruption

112. Social safety net (SSN) programs like BISP channel a large amount of public resources. Thus, it is important to make sure that these reach the intended beneficiaries. Error, fraud, or corruption 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 error, fraud, and corruption. These mechanisms (listed in table 12) need to be consolidated into a strategy, and some components such as monitoring need to be strengthened.

Table 12. BISP Instruments to Reduce Error, Fraud, and Corruption

Prevention	<ul style="list-style-type: none"> Program budget consistent with eligibility criteria Separation of eligibility assessment and payment functions Simple eligibility criteria and centralized determination Possession of CNIC necessary for program enrollment Third-party quality control procedures implemented for original NSER data collection and strengthened for update Use of Operational Manuals and SOPs together with third-party process evaluations Technology-based payments through debit cards Use of MIS to support processes including checks for duplicate applications Use of conditions (as WeT rolls out)
Detection	<ul style="list-style-type: none"> Cross-checks with NADRA databases GRM
Deterrence	Affidavit on PSC form refers to sanctions for provision of incorrect information
Monitoring	Availability of data from MIS

Mechanism for Handling Complaints

113. Individuals can lodge appeals/complaints through various means (post, e-mail, toll free number, or visits to BISP offices). The authority to resolve grievances or complaints lies largely with BISP headquarters, but *tehsil* offices play a major role in receiving complaints as well as informing beneficiaries to minimize resolution time and to provide more personalized attention. Since April 2012, all BISP offices are linked to an online web-based system (CMS) to register and process complaints. The same system is used to process updates to the beneficiary information. BISP has set up both internal and external action committees to address complaints received against the BISP staff or contractors. On average, 98 percent of grievance claims are acted upon within a maximum of 72 hours of reception. A breakdown of the cases addressed to date is listed in table 13:

Table 13. Complaints statistics

Reason for Appeals/Complaints	No. of Cases Resolved
Being declared ineligible. Appeals by those households surveyed in 2010/2011 but declared ineligible on account of having poverty score above eligibility threshold	373,766
Not being surveyed. Complaints by households who were not surveyed in 2010/2011 and now seek a survey of their households	25,288
Household suspension. 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 but is receiving the BISP benefits. During suspension, no benefits are paid to the household. Another reason for suspension is detection by BISP of more than one survey forms of the same household or presence of members with identical CNIC numbers in more than one household. So far, all cases are in the latter category.	22,561
Quality of service. These are complaints by beneficiaries on the services of the BISP staff and vendors, such as survey teams.	58
Request for resurvey. Requests by households who wish to have a resurvey conducted since they were not satisfied either by the poverty score or how the survey was carried out	3
Total	421,676

114. BISP uses a separate web-based PCMS for the resolution of problems related to beneficiary payments made by banks since the standard mechanisms available in the banks provided were not suited to the circumstances of the BISP beneficiaries (low literacy levels and use of local languages). The system is used by partner banks as well. So far, 390,839 problems have been resolved, all of which pertained to either requests for replacement of lost/damaged debit cards or provision of new PINs. The WeT beneficiaries can lodge grievances using customized web-based grievance redress system available at *tehsil* offices in the 32 WeT districts.

115. Issues to be addressed include revising procedures to incorporate roles for the divisional and provincial offices in oversight of the grievance redress process, integrating the different modules, and upgrading the software to facilitate preparation of standard management reports.

Citizen Engagement and Social Accountability

116. The Program 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. The Program will leverage the lessons learned from the Fiduciary, Technical, and Environmental and Social Systems Assessments to mainstream citizen engagement using measurable tools and procedures. These consist of M&E tools, and GRM.

117. The Program will continue use of spot checks and process evaluations to measure progress against critical activities. These include the NSER update, payment model revision, and the 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 to identify, among other aspects, various dimensions of beneficiary participation in these services including relevance of the service and the ease of enrolment. The Program will also strengthen existing social mobilization procedures to ensure engagement with vulnerable groups and Indigenous Populations, where present, and develop mechanisms to undertake consultations with these groups.

118. Finally, the Program will strengthen its GRM 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 the *tehsil* office level for a more efficient service delivery experience for beneficiaries.

Collaboration with Provincial Authorities and Education Sector

119. The implementation of WeT and its proposed expansion requires that BISP develop mechanisms for coordination with provincial/regional authorities and the education sector in general, including at the district and local levels and in schools. While initial efforts have been made and all provinces/regions are participating in WeT, coordination arrangements need to be strengthened and formalized. In particular, in line with the greater internalization of WeT, agreements on roles and responsibilities in the selection of districts for WeT; supply-side assessments; and the collection, transmission, and entry of data on attendance compliance need to be discussed and agreed. Increased coordination, initially with provincial authorities, will be needed to support the promotion of access to complementary services for the BISP beneficiaries.

VII. Program Results Chain

120. 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.

121. The systems strengthening, including the NSER update and recertification of beneficiaries, will ensure that the program remains targeted to the poor and its achievements (including the impacts on consumption, human capital development, and assets accumulation) are consolidated. Furthermore, the consolidation and expansion of WeT, together with the increased and more systematic access to complementary services, will further enhance the human capital development of children and will facilitate self-sufficiency of beneficiary households.

Table 14. Program Results Chain

Activities	Outputs and Intermediate Outcomes	Outcomes
Results Area 1: Institutional and Systems Development		
<p>NSER update manuals, procedures, guidelines finalized</p> <p>National rollout of NSER update</p>	<p>NSER updated</p> <p><i>Percentage of BISP beneficiary households from Phase II districts with updated poverty score card (PSC) information in NSER (DLI 1)</i></p>	<p>Targeting performance maintained / improved</p> <p><i>Percentage of BISP beneficiary households from the bottom two expenditure quintiles (PDI i)</i></p>
<p>Recertification strategy developed (TA)</p> <p>Rollout of recertification in accordance with approved strategy</p>	<p>Beneficiaries recertified</p> <p><i>Percentage of BISP beneficiary households recertified in accordance with the new eligibility cutoff score</i></p>	
<p>MIS audit carried out and action plan designed (TA)</p> <p>Investments in BISP MIS capacity (human resources, hardware, and software)</p>	<p>MIS enhancement action plan implemented</p> <p><i>MIS enhancement action plan implemented (DLI 3)</i></p>	<p>Improved case management services to beneficiaries</p> <p><i>Number of Waseela-e-Taleem (WeT) districts with tehsil offices using integrated MIS to handle case management of basic income support and WeT programs (PDI ii)</i></p>
<p>Revised <i>tehsil</i> office operations manual developed</p> <p><i>Tehsil</i> office staff hired based on redefined responsibilities</p> <p>Development of <i>tehsil</i> office performance measurement system (TA)</p>	<p>Tehsil offices capacity strengthened</p> <p><i>Percentage of tehsil offices with adequate skills and performing redefined responsibilities in accordance with Operational Guidelines (DLI 2)</i></p>	
Results Area 2: Income Support for Human Development and Access to Complementary Services		
<p>Social mobilization (including WeT outreach and BISP Beneficiary Committees creation) carried out</p> <p>Implementation and evaluation of innovative communication and outreach tools such as street theatres (TA)</p>	<p>Beneficiaries mobilized and children enrolled in WeT program</p> <p><i>Number of beneficiary families enrolled in WeT program</i></p>	<p>Increased school enrolment and attendance</p> <p><i>Number of WeT beneficiary children admitted and attending school (DLI 5/PDI iii)</i></p>
<p>Revised WeT Operational Manual and guidelines</p> <p>Internal monitoring protocols and system for WeT designed and</p>	<p>BBCs created and trained</p> <p><i>Number of Union Councils in WeT districts that have at least one BBC formed and respective mother leader trained on core WeT functions (DLI</i></p>	

Activities	Outputs and Intermediate Outcomes	Outcomes
<p>implemented</p> <p>Training curricula and performance measurement system for <i>tehsil</i> and provincial offices developed (TA)</p> <p>Provincial and Tehsil offices trained on designated WeT functions</p> <p>Education and local government officials trained on WeT and compliance monitoring protocols</p> <p>Provincial and local level coordination committees are created and meet regularly</p>	<p>6)</p> <p>Local capacity strengthened for WeT program implementation</p> <p><i>Number of WeT districts where WeT-related functions are carried out by provincial and tehsil offices in accordance with revised Operational Guidelines (DLI 4)</i></p>	
<p>Guidelines on formalizing engagement with complementary service providers developed and implemented</p> <p>MoUs signed with selected service providers</p> <p>Assessments to track BISP beneficiary participation in Complementary Services (TA)</p> <p>Information System module for complementary services developed and implemented (TA)</p>	<p>Beneficiary characteristics analyzed</p> <p><i>Percentage of Union Councils with information on aggregated characteristics of BISP beneficiaries available at all levels for provision of complementary services (DLI 7)</i></p>	<p>Increased participation in selected complementary services</p> <p><i>Number of BISP beneficiary households with at least one member enrolled in at least one complementary social or productive service (DLI 8/PDI iv)</i></p>

Note: TA, DLIs, and program development indicators (PDIs) are noted in parenthesis.

VIII. Economic Justification

Development Impact with Regard to Expected Benefits and Costs

122. 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 children of the BISP beneficiary households and promote linkages to complementary social and productive services for at least 800,000 BISP beneficiaries. Expected benefits include, but are not limited to (a) increased household food consumption and improved nutrition for the BISP beneficiary households; (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 in the labor market and increase social welfare.

123. Evaluations of the BISP basic cash transfer intervention have shown that the program increases food consumption and reduces short-term malnutrition among girls. Impact evaluations of the BISP basic cash transfer in Pakistan estimated that the program increased per adult equivalent monthly food consumption by about PKR 70 and total per adult equivalent monthly consumption by PKR 188. This represents an 11 percent increase in the average per adult equivalent consumption of the BISP beneficiaries at baseline (PKR 1,700). It is expected that the program will keep having a similar impact on beneficiaries' consumption levels over the four-year lifespan of the project, comparable to what has been observed in previous evaluations. In line with this increase in food consumption, impact evaluations also showed reduced rates of malnutrition among girls (of ages 0–59 months) as measured by wasting, a measure of short-term malnutrition (BISP first, second, and third Impact Evaluation Reports, Oxford Policy Management).²³ The observation of an impact on girls' nutrition and no impact on boys' nutrition has been reported in other contexts. The meta-analysis of six cash transfer programs by Manley et al. (2012)²⁴, for example, finds that the impact is higher for girls than boys. **Error! Reference source not found.** details the main finding of the BISP evaluations conducted in 2014, 2015, and 2016.

124. With the update of the NSER and recertification, the targeting and coverage of BISP will further improve. The current targeting and performance of BISP are estimated to be high compared to global experience, with about 75 percent of beneficiaries belonging to the bottom 40 percent.²⁵ With the update of the PMT targeting formula, performance 'by design' is expected to improve further. Ex ante simulations using HIES 2013/2014 show that, with the updated targeting, 60.2 percent of the BISP beneficiaries will be coming from the bottom 20 percent (compared to 55 percent with the previous formula) and 87.5 percent will be coming from the bottom 40 percent (compared to 82 percent 'by design' previously). In particular, coverage of the urban poor is expected to improve significantly. It was estimated that 55 percent of the poor in urban areas will be covered by design with the new PMT formula, compared to 37 percent previously. The current distribution of the BISP beneficiaries by residence indicates that about 13 percent of beneficiaries belong to urban and 87 percent belong to rural, while the national distribution of the poorest 20 percent of the population is 20 percent and 80 percent (urban and rural), respectively, according to HIES 2013/2014. With the updated formula, the breakdown of eligible households will be 19 percent in urban areas and 81 percent in rural areas. According to the same simulations, the distribution of beneficiaries by province will also be brought significantly closer to the actual distribution of poverty.

125. These substantial improvements would be achieved at relatively low costs. The current yearly expenditures of BISP are about US\$1 billion a year, amounting to US\$4 billion over the course of the four-year project lifespan. These targeting and coverage improvements will be achieved at low administrative costs of US\$100 million, representing only 2.5 percent of the program's total expenditures. In addition, costs are also expected to decrease significantly for

²³ BISP First Impact Evaluation Report, <http://www.bisp.gov.pk/Others/BISPFIRSTImpactEvaluationReport.pdf>

²⁴ How Effective are Cash Transfer Programmes at Improving Nutritional Status?, available at <http://www.cashlearning.org/downloads/q33-cash-transfers-2012manley-rae.pdf>

²⁵ World Bank team estimates using HIES 2013/2014.

beneficiaries. As the number of payment points is expected to increase fourfold to fivefold, the average distance covered by beneficiaries to withdraw cash payments is expected to decrease to a significant extent. In particular, transportation costs, which have been reported to be particularly high in remote areas, in addition to opportunity costs, are expected to decrease substantially.

126. Systems enhancement will also support the economic gains and could reduce the gap between targeting performance by design and actual performance in the field. The establishment of a regularly updated NSER, implementation of revised *tehsil* office operating models, development of a new payment model, and development of operational modalities to link BISP with other (productive and social) programs are some of the actions that are expected to generate initial setup costs as the new mechanisms and processes are established. However, these developments have the potential to contribute significantly to improve the efficiency and impacts of BISP. In addition to improving the targeting performance of BISP by design, the NSER update is expected to reduce the gap between targeting of the bottom 20 percent by design (55 percent) and the actual targeting (48 percent) estimated from HIES 2013/2014.

127. Despite the positive impact of BISP, findings on the challenges of breaking out of the poverty cycle despite participation in the program were important inputs for the new phase of BISP. The Program aims at facilitating access to services that will help productive and social inclusion of the poor. Evidence from the BISP impact evaluations suggests that some families are already using cash transfers to purchase productive assets, as shown by the increase in livestock among beneficiary families. Complementary services for the BISP beneficiaries could potentially include the asset transfers scheme administered by the Pakistan Poverty Alleviation Fund (PPAF), the Prime Minister’s Interest Free Loan (PMIFL) scheme, the National Immunization Support program, or the Prime Minister’s National Health Insurance. Global evidence suggests that links to complementary services can be effective. In Chile, the Chile Solidario program, targeting the extreme poor and offering preferential access to social programs, increased the take-up of social services, employment programs, self-employment, public employment, and training. The experience of other CCT programs (Brazil’s Bolsa Familia and Mexico’s PROSPERA) also suggests that the coordination of BISP with other programs offering complementary services could generate benefits for the main stakeholders (table 15).

Table 15. Expected Benefits of Links between BISP and Complementary Productive and Social Services

Stakeholders	Expected Benefits of Coordination
BISP Program	Broadening benefits and services for its target population and reinforcing its cash transfer interventions 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 such as credit, asset transfers, health, or additional social services that can facilitate their productive inclusion into the labor market and improved social welfare

128. By supporting the Government’s efforts to link beneficiaries to complementary services, the program is expected to increase the effectiveness of BISP in providing opportunities for productive and social inclusion of the poor, particularly women. A total of 400,000 BISP households are expected to have at least one member accessing complementary services through the program. These programs would include, among others, health, nutrition, and education 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 transfers. These might include asset transfers scheme administered by the PPAF and the PMIFL scheme. Importantly, the ability to achieve this impact—and the soundness of the approach—depends on the effectiveness of existing social and productive programs in reaching their goals. Table 16 summarizes some evidence from Pakistan and globally on the impact of programs attempting to improve the productive and social inclusion of low-income beneficiaries. Programs were chosen based on the existence of impact evaluations, similarities with BISP (with regard to target population, objectives, and modes of implementation), and relevance to the Pakistani context. These programs are divided into four groups: (a) asset transfers, (b) business training, (c) micro loans, and (d) health insurance for the poor.

Table 16. Selected Impact Evaluation Results of Complementary Services for the Poor

Program	Details	Impact
<i>Asset transfer</i>		
Pakistan Consultative Group to Assist the Poor (CGAP) experiment	Productive asset transfer to the very poor (Sindh province), complemented by consumption support, training, saving encouragement, and health education/services	<ul style="list-style-type: none"> • Significant gains in per capita consumption • Increase in livestock revenues • Increase in total asset value index
<i>Business training</i>		
Business training for microfinance clients in rural Pakistan	Eight full-time days of business training and the opportunity to participate in a loan lottery of up to PKR 100,000 (US\$1,000), about seven times the average loan size	<ul style="list-style-type: none"> • Increased business knowledge, reduced business failures, and increased business practices • Increased household expenditures by about US\$40 per year • Improved financial and labor allocation decisions • Effects concentrated among males; no impact on females apart from increased business knowledge
<i>Micro loans</i>		
Randomized microcredit schemes in Bosnia, Ethiopia, India, Morocco, Mexico, and Mongolia by Banerjee et al. (2015) ²⁶	Loans targeted to micro-entrepreneurs (from US\$450 in Mexico to US\$1,800 in Bosnia)	<ul style="list-style-type: none"> • Statistically significant increase in business assets and investments in pooled sample • Statistically significant increase in business size • Increase in business income as share of total income and decrease in income from remittances/transfers or government benefits as share of total income • Positive but statically insignificant impact on overall household income

²⁶ Six Randomized Evaluations of Microcredit: Introduction and Further Steps, American Economic Journal: Applied Economics 2015, 7(1): 1–21

Program	Details	Impact
<i>Health insurance for the poor</i>		
Vajpayee Arogyashree scheme	Free tertiary care for people below the poverty line in rural India, between February 2010 and August 2012	<ul style="list-style-type: none"> • Significant reduction in average out-of-pocket spending on relevant tertiary care was around US\$400 among covered households, compared to around US\$1,200 among poor households not covered • Mortality rate from conditions responsive to services covered was 0.32% in eligible households, compared with 0.90% in households just above the eligibility cutoff • Higher utilization of tertiary care services among poor households covered by the program, although difference is statistically significant only at the 10% level

129. Ensuring improvements in social and productive inclusion of beneficiaries is however beyond the control of BISP and beyond scope of the Program. In the short run, facilitating access of the BISP beneficiaries to complementary services is the key objective, with the expectation that, over time, participation in these programs will contribute to their improved socioeconomic welfare.

130. The recent impact evaluation of WeT reveals that the program has a positive and significant impact on the proportion of children enrolled in primary school, in the 32 districts where the program is being implemented. The combined UCT and WeT were estimated to increase the proportion of children of ages between 5 and 12 years enrolled by 10 percentage points.²⁷ The marginal effect of WeT was estimated to be almost as large, with an increase in the enrolment rate by 9 percentage points,²⁸ with a similar impact for girls and boys. Those estimates are also in line with prior evidence in the Pakistani context. The Child Support Program (CSP) pilot, linking relatively small amounts of cash (PKR 200 a month) to primary school enrollment of children from poor households, was found to have a large impact on girls, with a 9.6 percentage point increase in enrollment, but more moderate on boys (3.7 percentage points). Those estimates are larger than the ones reported in a meta-review of the impact of eight CCTs on education,²⁹ with an average effect of 6 percentage points on primary school enrolment (Saavedra and Garcia 2012³⁰). The larger impact of WeT is not surprising given the lower baseline enrolment rates of children in Pakistan: 71 percent for boys and 60 percent for girls, compared to 84 percent overall in the meta-analysis.

²⁷ The total impact of WeT was obtained by comparing children who are treated by both the BISP UCT and the WeT CCT with children in non-beneficiary households using regression discontinuity methods.

²⁸ The marginal impact of WeT was obtained by comparing children who are treated by both the UCT and the CCT with children who are treated only by the UCT, using propensity score matching methods.

²⁹ Bolsa Escola (Brazil), Familias en Accion (Columbia), Bono De Desarrollo Humano (Ecuador), PRAF II (Honduras), JPS (Indonesia), Oportunidades/PROGRESA (Mexico), Red de Proteccion Social (Nicaragua), and SRMP (Turkey)

³⁰ 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

Box 2. Key Results of BISP Impact Evaluations

Three waves of the quantitative and qualitative evaluation of BISP from 2014, 2015, and 2016 are now available, after initiation of the program in 2009. The key results of the evaluations are summarized below:

Consumption and Welfare

- Positive and statistically significant 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 that can be expected to lead to significant improvements in diet quality
- Negative and statistically significant impact on the rate of poverty when using a Food Energy Intake (FEI) poverty line
- Decrease in deprivations particularly with regard to the quality of flooring and cooking fuel used in the BISP households

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 and statistically significant impact on the mobility of the beneficiary women, with more women being allowed to travel freely 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
- Negative and statistically significant impact on the proportion of women who are engaged in unpaid family help

Asset Retention and Accumulation

- BISP has resulted in an increase in the proportion of beneficiary households that own small livestock including sheep and goats
- Increase in the proportion of beneficiaries with savings with the increase in savings being driven by greater formal savings
- Positive and statistically significant impact on the proportion of beneficiaries who have some form of savings

Education

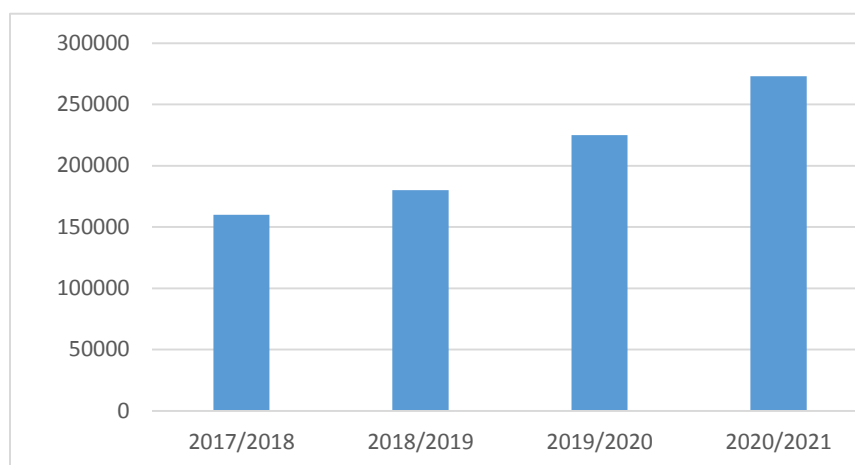
- The CCT has been shown to increase enrollment in primary school by 9 percentage points
- The BISP UCT alone was not found to have a significant impact on education enrollment

Source: Authors based on BISP: First Follow-up Impact Evaluation Report. 2014. Oxford Policy Management; BISP: Second Follow-up Impact Evaluation Report. 2015. Oxford Policy Management; BISP: Final Impact Evaluation Report. 2016. Oxford Policy Management.

131. The scale-up of the CCT is expected to increase primary school enrollment of children in beneficiary households. The WeT CCT will be scaled up to cover 18 more districts of Pakistan, in addition to the 32 current districts. In the current 32 districts, it is assumed that the increase in enrollment for the new cohorts entering schooling age will be identical to previous cohorts, as given by the WeT impact evaluation estimates (9 percentage points). As the additional districts

have not been identified yet, it is not straightforward to predict whether the increase in enrollment in the scale-up districts will be higher or lower relative to the impact evaluation estimates. However, these districts are expected to be characterized by the same educational supply conditions, as in the current WeT districts. Under the assumption of an increase in enrollment identical to the initial districts (9 percentage points), 270,000 additional children who would not have enrolled in school in the absence of WeT are expected to enroll over the course of the project. In the sensitivity analysis of costs and benefits, alternative assumptions of 7 percentage point and 11 percentage point enrollment increase were also used.

Figure 9. Additional Number of Children Expected to Enroll in Primary School under the WeT Scale-up (Cumulative Count)



Source: Author simulations using HIES 2013/2014.

CCT Benefit Level and Cost of School Attendance for BISP Families

132. A key parameter in setting the benefit level of a CCT is the size of the elasticity of the relevant outcomes to the benefit level. In other words, the benefit level ought to be set in relation to the desired impacts. In the case of a CCT aimed at increasing enrollment in education, the literature and global experience with such CCTs identifies two main costs associated with schooling: (a) direct costs and (b) opportunity costs. Following this approach, the size of the education grant for Oportunidades in Mexico was set to cover the opportunity costs for students, estimated on the basis of observed children’s incomes (Fiszbein et. al, 2009³¹). In Honduras, it was set to cover both the opportunity and direct costs, the latter including the costs for books, uniforms, and fees.³² Overall, there is however little evidence available from impact evaluations to inform decisions about the CCT payment levels. An exception is the Cambodia evaluation (Filmer and Schady 2009³³), which found positive but diminishing marginal returns to transfer size.

133. The current benefit amount covers the average out-of-pocket expenditures for primary education of the WeT beneficiaries. The BISP CCT top-up benefit level is currently set at PKR

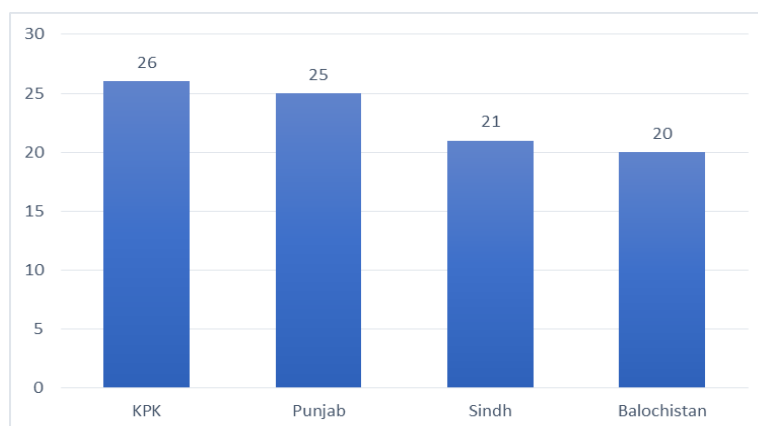
³¹ Conditional cash transfers : reducing present and future poverty, The World Bank

³² Ibid.

³³ Are There Diminishing Returns to Transfer Size in Conditional Cash Transfers?, Policy Research Working Paper 4999, The World Bank

250 per child per month, representing about 2 percent of monthly expenditure of the BISP beneficiaries. This amount comes in addition to the UCT transfer, amounting to PKR 1,500 per month per family. The UCT amount is by itself sufficient to cover yearly out-of-pocket expenditures for primary education by the BISP families, which have been estimated to be about US\$25 per child per year with some regional variation (HIES 2013/2014)³⁴ (figure 10), which is similar to the amount reported in focus group discussions during field visits in three provinces of Pakistan.

Figure 10. Average Out-of-Pocket Expenditures on Primary Education by the WeT-Eligible Families, per Child, per Year (US\$)



134. The WeT beneficiaries also incur the opportunity cost of foregone earnings from child work, but evidence shows that only a small share of children out of primary school are engaged in work, suggesting that foregone child earnings play a limited role in enrollment decisions. In addition to out-of-pocket expenditures, the WeT beneficiary families incur the opportunity costs of foregone earnings from child labor when they enroll their children in school. In a context of imperfect credit markets, poor households may indeed find it optimal to use child labor as a consumption-smoothing mechanism. Children may be sent out for employment to increase the immediate availability of consumption goods, even at the expense of higher remuneration in the future. Credit constraints are likely to be particularly binding for the poor. However, in the case of Pakistan, focus groups report that child labor is practiced only from age nine onward, and mostly by boys. Among children of ages 10–12, only 9 percent of the WeT-eligible children are engaged in work activities,³⁵ according to HIES 2013/2014. The WeT impact evaluation results report similar estimates. Among the WeT-eligible children that are out of school, only 13 percent are reported to be working. Even in the bottom quintile, the share of working children remains low relative to the entire population or even to the out-of-school population. This suggests that the opportunity cost of foregone earning is incurred by families only over half of the duration of a child’s primary school, while they are eligible to the UCT and CCT benefit over the entire duration of primary school. Under this assumption, a transfer amount of PKR 750 per month per child received for the entire duration of a child’s primary schooling, in combination with the UCT, will be sufficient to cover the opportunity costs incurred when the child is of ages 9 to 11

³⁴ Similar amounts were reported by the BISP beneficiaries during field visits in three provinces of Pakistan.

³⁵ The underreporting of child labor in the household survey cannot be excluded.

135. Cost-benefit analysis and internal rate of return (IRR) of the WeT scale-up. The economic analysis presents a cost-benefit analysis of the WeT scale-up using the present discounted value (PDV) method. The main expected economic benefit is an increase in primary school enrollment of children of ages 5–12 in the 32 current districts of WeT and in the 18 additional districts of the scale-up, leading to higher lifetime earnings. The following assumptions and data sources were utilized to estimate the net present value (NPV) of program benefits, the benefit-to-cost ratio, and the IRR of the WeT scale-up.

- (a) **Private per child cost of primary education.** Assumed to have two main components: (i) out-of-pocket expenditure and (ii) opportunity costs of schooling. Out-of-pocket expenditure are estimated using the HIES survey data 2013/2014, by taking the average annual per child household expenditure on education across Grades 1 to 5 (corresponding to primary school), among the BISP-eligible households. On average, it was estimated that the BISP-eligible households spend about US\$25 per year per child in primary grades. For the opportunity costs of primary schooling, it is also assumed that 13 percent of children of ages 10–12 in the BISP-eligible households would be engaged in wage labor activity if they had not enrolled in school, which are the current participation rates derived from the HIES survey data (2013/2014). The yearly earnings of working children of ages 10–12 is assumed to be US\$270, based on the HIES estimates. Based on these assumptions, it is estimated that total household expenditure on education over the five years of the project is US\$56 million while the opportunity costs in the form of foregone wages is estimated to be US\$51 million (in nominal terms).
- (b) **Increase in primary school enrollment.** To simulate the ex ante impact of the WeT scale-up on enrollment, the impact evaluation parameter estimate of an increase in enrollment by 9 percentage points was used. The districts where the scale-up will be implemented have not been identified yet but are expected to have educational supply conditions comparable to the current districts. Therefore, an identical impact on enrollment in the scale-up districts as in the current districts (9 percentage points) was assumed. However, the results of a sensitivity analysis under a low-case scenario (7 percentage points) and high-case scenario (11 percentage points) are also presented.
- (c) **Benefits due to increased lifetime labor earnings for primary attendees, conditional on being BISP-eligible.** Those are estimated using the same HIES 2013/2014 data, based on the assumption that the cash transfers have an impact on beneficiary children's ability to complete school and thereby secure an ability to earn higher wages in their adult life. The average annual wage differential for the BISP-eligible individuals that attended primary school and those who did not was estimated to be US\$300.³⁶ Lifetime earnings are calculated for five cohorts of primary completers over a period of 40 years from ages 15 to 55. The labor force participation rate is assumed to be 60 percent, which is the current labor force

³⁶ 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. Since 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.

participation rate among the BISP beneficiaries that attended primary education, estimated from HIES 2013/2014.

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

136. Increased lifetime earnings associated with primary school attendance are large relative to the expected costs of the program (US\$634 million compared to a cost of US\$219 million). The discounted present values of the various benefit and cost streams are presented in table 17, under the base scenario of an increase by 9 percentage points in enrollment with alternative scenarios presented in Table 18. The main costs associated with the project are public investments, which amount to US\$180 million, compared to only US\$22 million for private direct household costs and US\$19 million for private opportunity costs.

Table 17. PDVs of Benefits and Costs under the WeT Scale-up (32 Initial Districts and 18 Additional Districts Covered)

Category	US\$, millions
Benefits	
Benefits to due wage premium for primary education attendees	634
Total Benefits	634
Costs	
Public investments (Cash transfers + administrative costs)	180
Private household direct costs (for additional primary enrolled)	22
Private opportunity costs (for additional primary enrolled)	19
Total costs	221
Net Benefits	413

137. The results of the cost-benefit analysis suggest that the schooling benefits expected from the proposed project significantly outweigh the costs in all three scenarios (base case, low case, and high case). The scaling up of WeT could yield relatively high returns, with an IRR ranging from 19 percent to 22 percent and NPV between US\$323 million and US\$507 million. These estimates are quite conservative given that additional benefits and externalities may arise due to the program such as improved health outcomes (reduced malnutrition and fertility), delay in marriage, or lower dependency on social transfers that have not been included in the analysis.

Table 18. Sensitivity Analysis under Scenarios of Increase in Enrollment in the WeT Scale-up Districts

NPV (US\$, millions)			Benefit to Cost Ratio			IRR (%)		
Base Case (9 percentage points)	Low Case (7 percentage points)	High Case (11 percentage points)	Base Case (9 percentage points)	Low Case (7 percentage points)	High Case (11 percentage points)	Base Case (9 percentage points)	Low Case (7 percentage points)	High Case (11 percentage points)
413	323	507	2.9	2.8	3	21	19	22

Rationale for Public Sector Provision/Financing

138. The provision of SP services and redistribution are natural functions of the state and explicitly mentioned as a government function in the Constitution of Pakistan. This is especially true in the absence of other effective formal or informal insurance mechanisms. Another rationale for public intervention is the public good nature of social assistance. Basic cash transfers, CCTs, and complementary services interventions can generate positive externalities on human capital and the economy that cannot be fully internalized by private agents. A federal intervention, as opposed to devolution to provinces, is justified by conventional public finance principles suggesting that redistribution is a role more appropriately handled by central governments, since they are inherently in the best position to handle interregional inequalities and risk pooling. The idea that people of similar circumstances in a country should be treated alike (also known as horizontal equity) also underlies the rationale for national (and not subnational) financing for safety net programs. In addition, it has been shown that interventions aimed at fostering public goods are typically only effective when provided uniformly.³⁷

Value Added of Bank's Support

139. The World Bank has been supporting BISP since 2009. This included an SP Development Policy Credit (US\$150 million), and an Investment Project Financing through a four-year Social Safety Net TA Project (US\$60 million), followed up by Additional Financing (US\$150 million) in 2012. The proposed project will therefore capitalize and build on the GoP and World Bank's long-standing engagement on SP systems in Pakistan. The World Bank is also well placed to provide support to the SP sector in Pakistan given its global, regional, and Pakistan-specific technical expertise with cash transfers (conditional and unconditional) and in designing full-fledged SP systems that protect the vulnerable while building elements for a competitive economy.

140. In particular, the World Bank brings expertise in developing the instruments and tools required to operationalize the scale-up of large cash transfer programs and monitor them adequately. This includes experience with governments developing policies for effective federal and provincial/regional partnerships for service delivery, as seen in Brazil's Bolsa Familia program, and the setup of the institutional coordination mechanisms necessary to link beneficiary households to other social and productive services, as under Brazil's Bolsa Familia and Mexico's PROSPERA programs.

³⁷ Bird, R. 2000. "Intergovernmental Fiscal Relations: Universal Principles, Local Applications." Working Paper 00-2, School of Policy Studies, Georgia State University.