

Annual Review - Summary Sheet

This Summary Sheet captures the headlines on programme performance, agreed actions and learning over the course of the review period. It should be attached to all subsequent reviews to build a complete picture of actions and learning throughout the life of the programme.

Title: Pakistan National Cash Transfers Programme		
Programme Value: £300.3 million		Review Date: 29 August – 6 September 2016
Programme Code: 203029	Start Date: November 2012	End Date: March 2020

Summary of Programme Performance

Year	2012/13	2013/14	2014/15	2015/16				
Programme Score	A	A	A+	A				
Risk Rating	HIGH	HIGH	HIGH	SEVERE				

Summary of progress and lessons learnt since the last review

1. Under the Pakistan National Cash Transfers Programme (PNCTP), DFID is providing up to £279 million in non-budget support financial aid and £21 million in technical assistance¹ to the Benazir Income Support Programme (BISP). BISP is a government programme, which provides basic income support to poor women and their families. 87% of BISP funding is provided by the Government of Pakistan (GoP).² Beneficiaries are selected through a poverty scorecard using data from the National Socio-Economic Registry (NSER)³. With this additional income support, women are able to spend more on food, health, education, clothing and other essential needs. BISP helps the poor to mitigate the impact of inflation and economic shocks on their household expenditure preventing them from falling deeper into poverty. In Pakistan, approximately 60 million people (1/3 of the population) live below the national poverty line.

2. BISP has two flagship programmes: the unconditional cash transfer (UCT) programme and the conditional cash transfer (CCT) programme for education. Under the UCT programme, each beneficiary family receives a basic cash transfer of Rs.4700 (£35) every three months to meet essential needs. This programme has national coverage. Under the CCT programme, BISP provides an additional stipend of Rs.750 (£5.50) per child every three months for children from the beneficiary families to enrol in and attend primary school. This programme operates in 32 districts.

3. DFID has been supporting BISP since November 2012. Financial aid and technical assistance have focused on expanding the number of families and primary school-aged children benefitting from cash transfers, building stronger mechanisms for targeting the poorest and improving payment systems. DFID collaborates with the World Bank (WB) and the Asian Development Bank (ADB), which also support BISP. DFID's technical assistance provides £9 million to a WB-managed trust fund to provide technical support to BISP and promote a national policy framework for protection of Pakistan's poorest. The trust fund supports collaboration between the Federal and provincial governments so that social protection mechanisms for the poor are joined up. BISP has strong data-driven systems in the form of the NSER and payment mechanisms, which provinces can also use to deliver their essential services to the poor.

4. PNCTP uses a Payment by Results (PbR) approach. This means that funds are released after pre-agreed results are achieved by BISP and verified by DFID. To date, DFID has disbursed a total of £167.67 million in financial aid to BISP. If results are met this year, £104.09 million will remain until the

¹DFID uses the term "non-budget support financial aid" to describe funding that is provided to partner governments to meet the cost of specific projects or expenditure in line with the overall bi-lateral Development Partnership Arrangement. Technical assistance refers to provision of technical advice and expertise to partner governments, mostly for improving systems.

² Financial contributions of development partners, including DFID, the World Bank, and the Asian Development Bank are approximately 13% of BISP's annual expenditure. DFID's contribution is 7% on average.

³The NSER refers to a national database of over 27 million households (approximately 167 million people) being used by BISP. The database contains information about ownership of assets and social indicators at household level. A poverty score is calculated for each household on a scale from 0 to 100. All households having a poverty score of 16.17 or lower are eligible to receive cash transfers from BISP.

programme concludes in March 2020: £98.39 million in financial aid and £5.70 million in technical assistance. The programme budget invested prior to the mid-term point of the programme helped to scale-up the UCT and the CCT programmes and encouraged the GoP to undertake bold institutional reforms to improve the targeting and payment systems.

5. DFID is currently carrying out a mid-term review (MTR) of the programme to assess its overall performance since inception, take stock of lessons from the implementation, and identify areas of future support until the programme ends in March 2020. Keeping this in mind, this annual review focuses on strategic issues and institutional reforms in BISP in addition to reviewing performance in 2015-16. The annual review will be an important input to the MTR. The MTR will inform discussions and negotiations with the GoP on the vision, areas of reform, and DFID's and other donors' partnerships in social protection over the next four years. The MTR will be completed by March 31, 2017.

Key achievements

6. The overall performance and effectiveness of the PNCTP has met expectations. The active engagement of BISP's Chairperson, the Secretary and the Board has been crucial. Highlights during the review year are as follows:

- The UCT programme continues to expand steadily. The number of families who have benefited since the inception of BISP has reached 5.4 million. During the review year, the number increased from 5.2 million to 5.4 million. This number was 4.3 million when DFID's support to BISP began in 2012.
- The expansion of the CCT programme for education from five to 32 districts has exceeded expectation. The number of children supported to attend primary schools increased from 0.7 million to over 1.3 million (48% girls) during 2015-16. This is a major achievement as it involved extensive fieldwork to involve parents and cooperation from the provincial governments and private sector schools.
- BISP has started to update the NSER, which provides household level data on poverty. In June 2016, the test phase was launched in Haripur district. This exercise will eventually cover the whole of Pakistan, and will enable BISP to identify and manage beneficiaries with up-to-date data. The NSER is used by many institutions in Pakistan providing much needed data on household characteristics in lieu of a national census, which has not been conducted in 17 years.
- BISP has also launched the testing of a biometric verification system (BVS) for payments to beneficiaries in five districts. This system will replace the use of debit cards. In future, beneficiaries will verify their identity through fingerprints, which is reconciled with their national identity cards. The BVS will be rolled out nationally.
- The present government has consistently increased financial resources for BISP to fund both the expanding number of beneficiaries as well as to ensure that the value of payments keeps pace with inflation. The government's expenditure on BISP was equivalent to 0.35% of Gross Domestic Product (GDP), 3% of the Federal tax revenues, and 19% of the entire Federal Public Sector Development Programme (PSDP) in 2015-16.

Areas of focus for the year ahead

7. The ambition of BISP in the year ahead is high. The main areas of focus are as follows:

- The scale of updating the NSER is at a par with conducting a national census. The timetable is ambitious running right up to the 2018 elections. Although the test phase is on track for completion by May 2017, BISP should focus simultaneously on preparations for the national rollout. Quality and integrity of the data are extremely important to ensure political ownership. BISP should focus on completing the hiring of the implementing partners for the door-to-door survey, designing and implementing awareness campaigns and filling the internal staffing gaps to meet the ambitious timelines.
- BISP needs to finalise the design of the new payment model and complete contracting of the payment service providers (PSPs)⁴ for the national rollout of the BVS. This requires negotiating standards of service from the PSPs to ensure that both urban and rural beneficiaries and those living in the remotest areas have access to payment sites.

⁴ The PSPs include commercial banks and mobile phone companies, which provide payment services to beneficiaries.

- DFID's contract with Aurat Foundation (AF) to implement the CCT programme ended in July 2016. BISP now manages this programme and is in the process of hiring new implementing partners. There have been delays in procurement, which means that programme operations are at risk. In addition to completing the current procurement to the revised plan, BISP should foster effective collaboration with the provinces for enrolling new children, quality assure attendance data for accuracy and comprehensiveness, and work with tehsil offices so that they are prepared to undertake the new responsibilities that will be delegated to them. BISP should not expand the CCT programme in additional districts until it has firmly established the new delivery model.
- There is significant scope to improve communications, feedback loops and the grievance redress mechanisms for beneficiaries to ensure that the actual experience of beneficiaries is informing policy decisions made by BISP's management and board.

Risks

8. The overall risk rating is "severe"⁵. BISP is undertaking institutional reforms, which are ambitious, complex, and require significant financial and human resources. There is a need to monitor and manage four key risks in the year ahead: First, looking towards the 2018 elections, there is a risk that leadership might change which could slow down the delivery of the on-going reforms. Second, there are significant staffing gaps in technical teams (especially for the NSER update, the CCT and communications) and if they continue, BISP will struggle to manage the procurements and implementation of new systems. The staffing gaps will be exacerbated if BISP is unable to offer its current competitive remuneration package to the core staff and specialists. Third, the end of the DFID's Stability and Growth (S&G) programme⁶ means that in future stipends may fall behind the increasing costs of food and other essentials. Fourth, BISP needs to keep on top of operational risks including its procedures for identifying, reporting and rooting out fraud and corruption. DFID will need to step up engagement with the Ministry of Finance and BISP's leadership for monitoring and managing these risks.

Lessons Learnt

9. The following factors have affected the results and progress during the review period:
- Continued ownership by the government and strong and joined up leadership by the Chairperson, the Board, the Secretary and senior management is vital for BISP's sustainability and is the primary mitigating factor against risks to the programme. The year ahead is challenging due to on-going institutional reforms. Stability in leadership and senior management will be even more important for successful completion of reforms.
 - BISP's capacity to procure and manage service providers is an important factor in delivery. BISP did not procure the implementing partners of the CCT programme on time and this has led to an implementation gap. Therefore, a key lesson is to closely monitor and support BISP on the procurements that are critical to delivering the results.
 - Effective, regular communications with beneficiaries, effective feedback loops and grievance redress mechanisms are essential to ensuring that BISP continues to deliver effectively for the beneficiaries.

Summary of recommendations for the next year

10. Recommendations are as follows:
- i) BISP should plan for any leadership transitions so that the vision and oversight for an ambitious reform programme is not lost.
 - ii) The leadership should fill managerial and technical positions at the BISP Headquarters and in tehsil offices for completion of the NSER update, the national rollout of the BVS, improved communications, and implementation of the new CCT delivery model.
 - iii) BISP should prioritise completion of critical procurements including: (1) hiring of the door-to-door survey firms by November 30, 2016; (2) new implementation firms for the CCT programme by December 15, 2016 and (3) new contracts with the PSPs for the new payment model by mid-2017;

⁵ This rating is comparable to "High" on DFID's previous risk management framework.

⁶ The S&G programme provides results-based financial aid to the GoP for results achieved that are linked to benchmarks in the International Monetary Fund's (IMF's) Extended Fund Facility (EFF) programme for Pakistan. 50% of the financial aid through this programme goes to BISP to reduce the impact of economic reforms on the poorest, for example, incentivising the GoP to raise stipends to keep pace with inflation.

- iv) DFID, BISP and WB should develop options to improve communications, mechanisms for beneficiary feedback and create awareness about grievance redress procedures.
- v) DFID should complete the MTR by March 31, 2016 including completion of negotiations on results-based payments for the remainder of the programme. This will allow sufficient time to BISP to make progress on the agreed DLIs for the next fiscal year.
- vi) DFID should carry out a mid-year review of the on-going institutional reforms to assess progress and challenges in the implementation in May 2017.

Acronyms

ADB	Asian Development Bank
AF	Aurat Foundation
AGP	Auditor General of Pakistan
ATM	Automated Teller Machine
BBC	BISP Beneficiary Committee
BDC	Benazir Debit Card
BISP	Benazir Income Support Programme
BVS	Biometric Verification System
CCT	Conditional Cash Transfer
CNIC	Computerised National Identity Card
DAC	Departmental Accounts Committee
DFID	Department for International Development
DLIs	Disbursement Linked Indicators
EFF	Extended Fund Facility
FATA	Federally Administered Tribal Areas
FRA	Fiduciary Risk Assessment
GoP	Government of Pakistan
GRM	Grievance Redress Mechanism
HHS	Household Survey
IMF	International Monetary Fund
IT	Information Technology
M&E	Monitoring and Evaluation
MIS	Management Information System
MM	Mott MacDonald
MoF	Ministry of Finance
MTR	Mid-term Review
NADRA	National Database and Registration Authority
NGO	Non-governmental organisation
NSER	National Socio-Economic Registry
OPM	Oxford Policy Management
PCR	Project Completion Review
PIN	Personal Identification Number
POS	Point of Sale
PSDP	Public Sector Development Programme
PSPs	Payment Service Providers
PVI	Payment Verification Interface
S&G	Stability and Growth Programme
SDGs	Sustainable Development Goals
SDP	Single Departmental Plan
SIM	Subscriber Identity Module
SRO	Senior Responsible Owner
UCT	Unconditional Cash Transfer
VfM	Value for Money
WB	World Bank
WeT	Waseela-e-Taleem Programme

A. Introduction and Context (1 page)

DevTracker Link to Business Case:	3755670
DevTracker Link to Log frame:	5535489

Outline of the programme

11. Under the Pakistan National Cash Transfers Programme (PNCTP), DFID is providing up to £300.3 million to the Benazir Income Support Programme (BISP). BISP is a government programme, which provides basic income support to poor women and their families. 87% of BISP funding is provided by the Government of Pakistan (GoP) while the remaining 13% comes from donors including DFID, the World Bank (WB) and Asian Development Bank (ADB). Beneficiaries are selected through a poverty scorecard using data from the National Socio-Economic Registry (NSER). With this additional income support, women are able to spend more on food, health, education, clothing and other essential needs. BISP helps the poor to mitigate the impact of inflation and economic shocks on their household expenditure preventing them from falling deeper into poverty. In Pakistan, approximately 60 million people (1/3 of the population) live below the national poverty line.

12. DFID's support to BISP - the Pakistan National Cash Transfers Programme (PNCTP) - is for a period of eight years from 2012 to 2020. It has two main components:

- Up to £279 million is results-based non-budget support financial aid to BISP. DFID releases funds if BISP achieves the disbursement linked indicators (DLIs) agreed with DFID. The DLIs incentivise BISP to expand coverage so that more poor families receive a basic cash transfer and have support to educate their children. DLIs are also linked to strengthening operational performance in areas such as targeting of the poor and payment systems.
- Up to £21.3 million is technical assistance intended to strengthen the BISP systems and support dialogue on poverty reduction and policy reforms to enhance the social protection for the poor and vulnerable. This includes providing £9 million to a World Bank (WB) trust fund, which delivers high quality technical support to BISP and promotes a national policy framework for social protection of the poorest in the country. In addition, DFID has contracted Mott MacDonald to conduct third-party spot checks at payment sites and collect feedback from beneficiaries independently to verify the results and assess the effectiveness of BISP's systems.

13. DFID Pakistan's investment focuses on two of BISP's programmes:

- The unconditional cash transfer (UCT) programme: BISP selects beneficiaries using the NSER. The female head of the family or an ever-married woman in the selected household receives a quarterly stipend of Rs.4700 (£35) every three months. She can make choices on how to spend this money on essential needs. This support is crucial to mitigate the impact of inflation on household expenditure and prevent the poor families from falling deeper into poverty.
- The conditional cash transfer (CCT) programme for education: BISP's eligible families receive an additional stipend of Rs.750 (£5.50) per child every three months for their children to enrol in and attend primary school. The stipend is conditional on at least 70% attendance in each quarter. The CCT programme is operating in 32 districts across Pakistan: Balochistan (6 districts), Khyber Pakhtunkhwa (7 districts), Punjab (7 districts), Sindh (6 districts), Gilgit-Baltistan (3 districts) and Azad Jammu and Kashmir (3 districts).

14. BISP also benefits from DFID Pakistan's Stability and Growth (S&G) programme. This programme provides results-based financial aid to the GoP for results achieved that are linked to benchmarks in the International Monetary Fund's (IMF's) Extended Fund Facility (EFF) programme. 50% of the results-based financial aid through the S&G programme goes to BISP to reduce the impact on the poorest of economic reforms in areas such as tax, including indirect tax, and energy tariffs. One of the three DLIs under the S&G programme is BISP-related: incentivising the GoP to increase the stipend to keep pace with inflation. More information about coordination between the two programmes is documented separately in the S&G programme's annual review.

15. PNCTP contributes directly to the UK Aid Strategy's objective of "tackling extreme poverty and helping the world's most vulnerable." The CCT programme contributes approximately a quarter of DFID Pakistan's contribution to the Manifesto Commitment education target. The programme also contributes to the following Sustainable Development Goals (SDGs): No Poverty (Goal 1); Zero Hunger (Goal 2), Quality Education (Goal 4), Gender Equality (Goal 5), and Reduced Inequalities (Goal 10). PNCTP is compliant with the Gender Equality Act: women are the primary recipients of all cash transfers.

B: PERFORMANCE AND CONCLUSIONS (1-2 pages)

Annual outcome assessment

16. The intended outcome of the programme is that the poorest families in Pakistan have a more predictable income and are sending primary-aged children to and retaining them in primary school. The programme is on track to deliver this outcome. Progress on key outcome indicators is described below briefly:

- **Reduction in poverty gap:** Oxford Policy Management (OPM) has completed four impact evaluations of BISP all of which show positive impact on poverty reduction, increased expenditure on essential needs such as food, health, and school attendance, and improvements in the social status of women. The final impact evaluation (completed in June 2016) has shown that the Benazir Income Support Programme (BISP) has reduced the poverty gap by 3 percentage points compared to those families, which do not benefit from BISP i.e. the beneficiaries are less poor⁷. The evaluations also show that female beneficiaries play a more active role in decision-making within the household including managing money.
- **Percentage of women beneficiary families registered at the beginning of the financial year receiving full yearly payment:** This indicator monitors the regularity of payments. BISP has successfully paid according to schedule for the last 18 quarterly payment cycles. In 2015-16, 99.7% beneficiaries received all four quarterly payments in the first week of the third month of each quarter. This regularity is important for beneficiaries to predict the additional income and plan their household expenditure accordingly.
- **Additional children in school:** OPM has completed an impact evaluation of the conditional cash transfer (CCT) programme. The report has confirmed that enrolment of children in primary schools in CCT-recipient families is higher by 10% compared to those families, which do not receive the CCT. This impact compares well to other CCTs for education globally⁸.

Overall output score and description

17. The overall performance of the programme is rated an **A**. BISP has achieved most of the logframe's milestones, met all of the disbursement linked indicators (DLIs) agreed with DFID, and made substantial progress on institutional reforms. Overall performance against each output is as follows:

Output	Score	Description
Output 1: Beneficiary families receiving regular payments (UCT)	B	Moderately did not meet expectation
Output 2: Beneficiary families receiving regular payments for school-going children (CCT)	A+	Exceeded expectation
Output 3: Institutional strengthening of BISP	A	Met expectation

18. **Output 1:** This output incentivises expansion of the unconditional cash transfer (UCT) programme and strengthening of targeting and payment systems. The output is scored a B due to slow progress on shifting the beneficiaries from the Post Office to electronic payments and increasing the number of beneficiaries who obtain new computerised national identity cards (CNICs)⁹. The proportion of payments through electronic methods remained constant at 94% during the review year. Transfer of beneficiaries from the Post Office to debit cards is slow because BISP is going to phase out debit cards and introduce a new biometric verification system (BVS). The number of additional women getting their CNICs fell short of the target because locating new beneficiaries and helping them to obtain CNICs has become very difficult due to an outdated National Socio-Economic Registry (NSER). Despite these challenges, BISP has made progress on expanding the UCT programme. The number of UCT beneficiaries increased from 5.2 million in 2014-15 to 5.4 million during 2015-16. BISP has also made

⁷ The GoP adopted a new approach to calculating the poverty line in May 2016, from Food Energy Intake (FEI) to Cost of Basic Needs (CBN). This means that a household now needs to have monthly consumption expenditure greater than Rs.3030 per person (previously Rs.2240 per person) to be above the poverty line. This has caused variation in BISP's impact on poverty gap but it remains positive and statistically significant: 3% using the new poverty line and 7% using the previous poverty line.

⁸For example, a Meta review of the impact of eight CCTs on education (*Saavedra and Garcia, 2012*) in Brazil, Columbia, Honduras, Mexico, Nicaragua and Turkey reports an average effect of 6% points on primary school enrolment.

⁹ A CNIC is a mandatory requirement for enrolment in BISP and receiving payment from any financial institution. This helps the poorest access a range of social services for which a CNIC is required.

commendable improvements in the regularity of payments with 99.7% payments reaching the beneficiaries in a specified week of the quarter. Keeping in view that three out of four indicators fell short of expectation, and the risks associated with the on-going reforms, we recommend revising the risk rating for this output from 'major' to 'severe'.

19. **Output 2:** This output focuses on expansion of the CCT programme. The output is scored an A+ because the scale-up of the programme from five to 32 districts has exceeded expectation. 1.6 million primary-aged children have been registered under the CCT programme. Out of this number, 1.3 million children (48% girls) are attending primary schools; the remaining children will be admitted in schools once the transition to BISP operating the programme is complete. Over 49,000 BISP Beneficiary Committees (BBCs) have been formed which help to encourage parents to send their children to school. The BBCs serve as platforms for women to come together, discuss their experience with BISP, and get support from Women Leaders of the BBCs to resolve payment issues and help women benefit from all of BISP's services.

20. **Output 3:** This output focuses on technical support to BISP and social protection policy. The output is scored an A as all technical assistance targets have met expectation. DFID's trust fund with the World Bank (WB) has helped BISP in a number of areas including the CCT design, communications, and coordination with the provinces. The trust fund has provided technical support for the NSER update. Three rounds of spot checks and beneficiary feedback surveys under DFID's contract with Mott MacDonald have been completed. The findings of these surveys have informed BISP's thinking about using biometrics for the new payment model.

Key lessons

21. The following factors have affected the results and progress during the review period:
- Continued ownership by the government and strong and joined up leadership by the Chairperson, the Board, the Secretary and senior management is vital for BISP's sustainability and is the primary mitigating factor against risks to the programme. The year ahead is challenging due to on-going institutional reforms. Stability in leadership and senior management will be even more important for successful completion of reforms.
 - BISP's capacity to procure and manage service providers is an important factor in delivery. BISP did not procure the implementing partners of the CCT programme on time and this has led to an implementation gap. Therefore, a key lesson is to closely monitor and support BISP on the procurements that are critical to delivering the results.
 - Effective, regular communications with beneficiaries, effective feedback loops and grievance redress mechanisms are essential to ensuring that BISP continues to deliver effectively for the beneficiaries.

Key actions

22. The following actions are recommended for the year ahead:
- i) BISP should fill the staffing gaps at the BISP Headquarters and tehsil offices for completing the NSER update and the transition towards the new CCT delivery model. Decisions on priority positions should be made by mid-December 2016.
 - ii) Completion of the test phase of the NSER update in 16 districts by May 2017 is a priority. BISP should complete procurement of firms for the door-to-door survey by November 30, 2016.
 - iii) The hiring of implementation firms for the CCT should be completed by December 15, 2016. BISP should also review the CCT programme's operational procedures to introduce improvements in light of the recommendations Aurat Foundation has made in their Project Completion Review (PCR).
 - iv) BISP should complete the procurement of the PSPs for the new payment model by mid-2017. Contracts with the PSPs should particularly ensure that those beneficiaries living in the remotest locations are not left out and have easy access to biometric-based payment sites.
 - v) BISP should hire communications specialists or a firm to manage communication campaigns for the NSER update and the rollout of the BVS. This will ensure that the beneficiaries understand the process and take up these exercises smoothly.
 - vi) The WB-managed trust fund should continue to support BISP's institutional strengthening, especially for successful completion of the institutional reforms and promoting collaboration between the Federal and provincial governments for poverty reduction and social protection. DFID and WB should agree key deliverables of the trust fund for the next year by April 30, 2017.

- vii) As DFID's contract with Mott MacDonald will end in November 2016, BISP and DFID should initiate discussions by November 30, 2016 on an alternate plan to continue beneficiary feedback and spot checks.

Has the logframe been updated since the last review?

23. Yes, the logframe was updated in July 2016 to incorporate recommendations made in the last annual review. The milestones were aligned with the DLIs and the CCT targets.

C: DETAILED OUTPUT SCORING (1 page per output)

Output Title	<i>Beneficiary families receiving regular cash payments</i>		
Output number per LF	1	Output Score	B
Risk:	Severe	Impact weighting (%):	50%
Risk revised since last AR?	Yes. Revised from 'major' to 'severe'.	Impact weighting % revised since last AR?	No

Indicator(s)	Milestones	Progress
1.1 Number of women directly receiving regular cash payments in BISP eligible families	Cumulative: 5.4 million	Cumulative: 5.4 million Active: 5.2 million
1.2 Percentage of payments to BISP beneficiaries made through technology-based mechanisms	96%	94%
1.3 Percentage of women beneficiaries receiving payments into their accounts within the quarter (average of quarterly payments)	99.9%	99.7%
1.4 Number of additional women beneficiaries receiving computerised national identity cards (CNICs)	300,000	116,172

Key Points

24. **Objective:** This output focuses on expansion of the unconditional cash transfer (UCT) programme so that more poor families receive a basic cash transfer for spending on food, health, clothing and other essential items. This support is necessary for helping them to mitigate the impacts of inflation and economic shocks on their household expenditure. Another objective of this output is to incentivise improvements in regularity and security of payments. In particular, DFID has encouraged BISP to make a rapid transition from the Pakistan Post to electronic payments for greater efficiency and transparency in beneficiary payments.

25. **Scoring:** This output is scored a B as three out of the four indicators fell short of expectation: (1) The proportion of electronic payments remained constant at 94%; (2) the number of additional women getting their computerised national identity cards (CNICs) fell short of the target substantially. Location of new beneficiaries and helping them to obtain CNICs has become more difficult due to an outdated National Socio-Economic Registry (NSER). The NSER is currently being updated and once the new data become available, this issue should be resolved; (3) BISP has made commendable improvements in the regularity of payments with 99.7% payments reaching the beneficiaries in a specified week of the quarter. This percentage is just marginally lower than expected. Despite these challenges, BISP has made steady progress on expanding the UCT programme. The risk rating has been revised from 'major' to 'severe' keeping in view the slow progress on 3 out of 4 indicators and the delivery and operational risks associated with the on-going institutional reforms.

26. **Indicator 1.1:** The coverage of the UCT programme has increased steadily from 5.2 million to 5.4 million during 2015-16. This number counts all beneficiaries paid at least once since the inception of BISP in 2008. The active number of beneficiaries is 5.2 million i.e. the number of beneficiaries paid in the last quarter. The difference between the active and cumulative numbers is due to the de-crediting of inactive beneficiaries. According to BISP policy, those beneficiaries who have not withdrawn money for over two years are de-credited. The addition of new beneficiaries is slow due to difficulties in locating new beneficiaries.

27. The on-going update of the NSER is important for enabling BISP to identify and manage beneficiaries at a greater pace. The updated NSER, especially if it is a dynamic registry with the ability to enrol beneficiaries on on-going basis, will provide information for identifying new beneficiaries and improve targeting (particularly for vulnerable populations who may have been displaced by conflict or the

2010-11 flooding when the existing data was collected). The test phase of the NSER update was launched in June 2016, and will be extended to 16 districts by early 2017. After a value for money (VfM) analysis of the test phase, this exercise will be rolled out nationally. BISP aims to complete this process in 2018.

28. BISP has relaxed the criteria for households having two or more disabled persons. The Board is considering whether single women (never married) above a certain age may also be eligible for the UCT. The BISP Board should also consider broadening the inclusion policy for ensuring provision of maximum benefits to the elderly, widowed, and other vulnerable categories of the ultra-poor.

29. **Indicator 1.2:** The use of electronic methods to disburse cash transfers remains constant at 94%. The remaining 6% of beneficiaries are paid through the Pakistan Post. The transition from the Post Office to electronic payments is slow as BISP is going to transfer all beneficiaries to a biometric verification system (BVS) for payments. The use of the Post Office for a small percentage of beneficiaries living in remote locations is acceptable as they do not have access to formal banking services. BISP is piloting the BVS for payments in five districts. This system will introduce further improvements for better transparency, efficiency and security of beneficiary payments. At the same time, a process for hiring the payment service providers (PSPs) is underway and is expected to be completed by mid-2017.

30. Capacity building of Point of Sale (POS) agents¹⁰, availability of a sufficient number of biometric payment points to handle the high volume of beneficiaries, minimising the cost of travelling for women and considerations for inclusion of those living in the remotest locations are key parameters for an equitable and efficient payment system. BISP is planning to negotiate with the PSPs to provide at least one payment point for every 1000 beneficiaries. Findings from Mott MacDonald's evaluation of the BVS pilot also inform the discussions about standards of service required to meet beneficiaries' expectations.

31. **Indicator 1.3:** There has been commendable improvement in the regularity of payments to beneficiaries since the last annual review. 99.7% of the active beneficiaries received payments into their accounts within the first week of the third month of each quarter. BISP has successfully paid according to schedule for the last 18 payment cycles. However, Mott MacDonald's spot checks suggest that 20% of beneficiaries make multiple trips for receiving the cash transfer. Additionally, 18% of beneficiaries reported having to pay additional fees to agents to access collection points and receive their payments. BVS will eliminate the role of the agents and address the issue of women's inability to use the debit cards themselves due to passcode loss and their failure to read the Automated Teller Machine (ATM)'s screen. In future, beneficiaries will verify their identity through their CNICs and fingerprints at the payment sites.

32. **Indicator 1.4:** CNIC is a mandatory requirement for registration with BISP. The number of additional female beneficiaries receiving their CNICs is increasing incrementally. 116,172 women received their CNICs during the review year against the target of 300,000 women. The main issue is that the NSER is outdated and hence it is difficult to identify new beneficiaries. BISP confirmed that over 2.1 million eligible women do not have CNICs (mostly in the Southern Punjab, rural Sindh and Balochistan). The NSER update will facilitate this process by providing up-to-date contact information about households. Better coordination with the National Database and Registration Authority (NADRA), which issues the cards, is also needed to expedite this process.

Summary of responses to issues raised in previous annual reviews (where relevant)

33. Recommendations from the last annual review included improving predictability of payments, adopting payment timelines and implementing public campaigns to inform beneficiaries, initiating the NSER process and timely procurement of payment agencies. There has been significant progress on all recommendations except for beneficiary communication, which has been a continued challenge for BISP. Although BISP piloted a communication strategy in selected districts, the plans for allocation of human and financial resources for a national rollout need to be set out.

¹⁰ Payment agents are the franchises of the PSPs who provide points of sale (POS) to beneficiaries. For example, BISP's authorized PSP, Tameer Bank, has a POS franchise system called *EasyPaisha*. The system works with local payment agents, mostly shopkeepers, through an *Easypaisha* account. Beneficiaries visit POS to receive cash after verification of their identity using the CNICs and in future, biometrics. More details can be found at this link: <https://www.easypaisha.com.pk/easypaisha-app>.

Recommendations

34. The following actions are recommended for the year ahead:
- i) BISP needs to ensure that the timetable for the NSER update remains on track to complete the test phase in 16 districts by May 2017. Procurement of the firms for the door-to-door survey should be completed by November 30, 2016.
 - ii) BISP should negotiate standards of service with the PSPs to ensure that both rural and urban beneficiaries have access to sufficient payment sites at reasonable distance. This includes reviewing the scope and parameters of the new payment model to benefit from the findings of Mott MacDonald's report on the BVS by December 15, 2016.
 - iii) BISP should complete the procurement of the PSPs by mid-2017 to rollout the BVS to other districts and reduce the risk of operational gaps and challenges in beneficiary payments.
 - iv) BISP should hire communications specialists or a firm to manage communication campaigns for the NSER update and the rollout of the BVS. This will ensure that the beneficiaries understand the process and take up these exercises smoothly.
 - v) BISP should consider broadening the inclusion policy to target specific categories of vulnerable populations such as widows, orphans, never married women and elderly, building on the good practice of relaxing eligibility criteria for people with disabilities.

Output Title	<i>Beneficiary families receiving regular payments for school-going children</i>		
Output number per LF	2	Output Score	A+
Risk:	Severe	Impact weighting (%):	30%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	No

Indicator(s)	Milestones	Progress
2.1: Number of primary-aged girls supported through cash transfers	611,000	633,155
2.2: Number of primary-aged boys supported through cash transfers	689,000	683,572
2.3: Number of beneficiary women's committees formed in education CCT districts, helping the families to meet conditionality	41,875	49,000
2.4: Percentage of grievances, appeal, attended to and resolved through technology based system	75%	98%

Key Points:

35. **Objective:** This output focuses on expansion of the conditional cash transfer (CCT) for education programme, which is currently operational in 32 districts. It provides an additional stipend (on top of the basic cash transfer provided under the unconditional cash transfer (UCT) programme) to beneficiary families on the condition that their children enrol in and attend primary school. At least 70% attendance in a quarter is needed to receive the stipend. Through an Accountable Grant to Aurat Foundation, DFID has played an important role in scaling up this programme and incentivised its expansion so that more children benefit.

36. **Scoring:** This output is scored an A+ because the overall progress has exceeded expectation. Three out of four indicators related to the coverage of the CCT programme, social mobilisation¹¹, and use of technology for grievance redressal system exceeded the log-frame targets. The number of primary-aged boys supported through this programme (indicator 2.2) fell short of target but the number of girls exceeded the target.

37. **Indicators 2.1 and 2.2:** BISP has exceeded the target of enrolling 1.3 million children by June 30, 2016. In total, 1.6 million children have been registered in the programme (i.e. they are eligible for the CCT). Schools have confirmed admissions of 1.3 million children (633,155 girls and 683,572 boys). This is a major achievement as it involved social mobilisation campaign in 32 districts and cooperation of the provincial education departments and private sector schools. All of the disbursement linked indicators (DLIs) related to the CCT programme have been achieved.

38. The year ahead is challenging for the CCT programme because a new delivery arrangement is required after conclusion of DFID's Accountable Grant to Aurat Foundation in July 2016. BISP will directly hire and manage the new implementing firms. BISP did not complete the procurement process in time leading to an implementation gap. The process is now on-track albeit with longer timelines. This transition will institutionalise the programme into the core operations of BISP. The active engagement of BISP's leadership is essential for the new delivery arrangement to operate effectively. This requires filling vacant positions and increasing the human resource capacity at Headquarters and tehsil offices, and stepping up efforts for formal collaboration with the provinces for collection of attendance data every three months. Currently, the interaction between the BISP Headquarters and the provinces is ad-hoc and intermittent. A provincial director level post - dedicated for the CCT programme - housed within each education department can facilitate this collaboration on a regular basis.

¹¹ The term "social mobilisation" refers to a process that raises awareness and motivates people to demand change or a particular development. Under the CCT programme, social mobilisation involved meetings with communities, formation of committees so that BISP beneficiaries could come together as groups to discuss programme-related issues and get support to resolve them, and creation of awareness about the programme's objectives.

39. There is a lot of space to improve the programme's monitoring systems and impact on out-of-school children. Although BISP disaggregates the data into "new admissions" and "already enrolled" children, these categories could be better defined. A strong monitoring plan with clear definitions and timelines for data collection will improve the evidence base and enable the CCT to align with the provincial education departments' interventions. The updating of the National Socio-Economic Registry (NSER) will provide data about the educational status of children at household level across Pakistan. Availability of this data for targeting out-of-school children will be an important entry point for collaboration with the provinces.

40. **Indicator 2.3:** As part of social mobilisation for the CCT programme, 49,000 BISP Beneficiary Committees (BBCs) have been formed in 32 districts against the target of 41,875. Each BBC comprises of 20-25 female beneficiaries. The BBCs provide a platform for creating awareness about the CCT objectives and the condition of 70% quarterly attendance. The members meet on a bi-monthly basis and discuss their experience with BISP. The BBCs are one of the mechanisms through which BISP interacts with beneficiaries (other mechanisms include tehsil offices, spot checks and beneficiary feedback by Mott MacDonald, BISP's internal monitoring). The review team noted during the field visit that peer learning among the BISP beneficiaries was the most useful way of resolving issues and sharing of information. The BBCs are an important platform in this regard.

41. As DFID's contract with Aurat Foundation has ended, the key challenge at this stage is to keep the BBCs active and functional while ownership is transitioned to BISP. BISP is already working on a concept note on BBC's sustainability. It is currently conducting a literature review. This work should lead to a policy framework for BISP's engagement with the BBCs. The framework should clarify the roles and responsibilities of the BBCs and financing of social mobilisation activities. The framework should also suggest the possible ways of interaction between the BBCs and School Management Committees or School Councils. The framework also needs to consider engagement with men as part of a broader community mobilisation effort but without compromising women's leadership.

42. **Indicator 2.4:** BISP operates three separate grievance redress mechanisms (GRMs) for payments, the UCT and the CCT respectively. Currently, BISP has managed to process 98% of grievances related to enrolments through the Case Management System. Most of the complaints are about payments and the use of Automated Teller Machines (ATMs). In most of the cases, the partner banks do not treat BISP beneficiaries at par with other customers. This is a matter of concern and requires strict compliance with payment service providers' (PSPs)'s standards for customer services without discrimination. The development of the new payment model is a good opportunity to negotiate better standards of service with the PSPs. Another issue is that the GRM does not have a clearly laid out appeal process. This is a major gap in the interaction between BISP and beneficiaries and requires a policy decision.

Summary of responses to issues raised in previous annual reviews (where relevant)

43. The previous annual review noted that cooperation with the provincial education departments was challenging but important for the success of the CCT programme. BISP has made some progress and is testing a number of pilots for collection of attendance data using the provincial systems. The last annual review also highlighted the need for a transition plan following the conclusion of the contract with Aurat Foundation in July 2016. The progress has been slow on the transition plan. Procurement of new implementing partners was not completed on time. The procurement is currently underway and is on track with revised timelines.

Recommendations

44. The following actions are recommended for the year ahead:
- i) A focus on consolidation and continuation of the CCT programme's delivery in the 32 districts and a strong in-house team to manage this transition within BISP are high priorities for the next year. Procurement of new implementing firms should be completed by November 30, 2016. BISP should also make decisions to fill the staffing gaps in the CCT team by December 2016.
 - ii) BISP should review the CCT Operational Manual and design to incorporate lessons from the Aurat Foundation's experience in implementing the programme by January 31, 2017.
 - iii) BISP's leadership should reassess the internal capacity needs, including staffing gaps in Headquarters and tehsil offices, to manage the new delivery model for the CCT programme. DFID, BISP and the World Bank (WB) should assess the feasibility and relevance of creating a

provincial CCT manager post - dedicated to the CCT programme - housed within each education department to facilitate collaboration with provinces by January 31, 2017.

- iv) BISP should develop a robust monitoring plan for the CCT programme and enhance internal capacity to monitor a set of indicators (including out-of-school children) by mid-February 2017.
- v) BISP should make the NSER data available to the provinces to help them track out-of-school children systematically.

Output Title	<i>Institutional strengthening of BISP</i>		
Output number per LF	3	Output Score	A
Risk:	Major	Impact weighting (%):	20%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	No

Indicator(s)	Milestones	Progress
3.1 BISP's institutional strength enhanced by improved transparency, accountability and beneficiary satisfaction of delivery mechanisms	Annual Spot Check and Beneficiary Feedback (SCBF) survey conducted	Survey completed in March 2016.
3.2 Policy influence to support enhanced social protection system in Pakistan through World Bank's trust fund.	Providing technical assistance for recertification of existing safety net beneficiaries	The trust fund has supported the Government of Punjab to design conditional cash transfer (CCT) interventions, developed a national social protection policy framework, and provided technical assistance to BISP.
3.3 Enhanced transparency of beneficiary payment processes	Approval of technology-based payments system (biometrics)	Biometric verification system (BVS) for payments launched in five districts.

Key Points:

45. **Objective:** This output focuses on the contributions of DFID's technical assistance to improve BISP's systems such as the National Socio-Economic Registry (NSER), payment systems, beneficiary feedback and spot checks, communications, fiduciary safeguards, and strengthening of Federal-provincial collaboration in social protection for the poor. DFID has a strategic partnership with the World Bank (WB) through a £9 million trust fund, which provides technical assistance to the Federal and provincial governments in these areas.

46. **Scoring:** This output scored an A because all of the technical assistance milestones for the review year are achieved.

47. **Indicator 3.1:** Under a DFID contract, Mott MacDonald carries out third-party spot checks at payment sites and collects feedback from beneficiaries about their experience with BISP. Mott has completed all the three rounds of beneficiary feedback surveys and spot checks at payment sites. The reports from the third round are with BISP for feedback. Approval is expected by mid-December 2016. The findings have highlighted a number of issues such as the inability of female beneficiaries to use the debit card, loss of passcodes, overcrowding at the Automated Teller Machines (ATMs), lack of responsiveness from the staff of commercial banks, and multiple visits to withdraw cash. These factors affect beneficiaries' satisfaction levels. These have encouraged BISP's transition towards the new payment model.

48. **Indicator 3.2:** The WB has delivered high quality technical assistance to BISP in a number of areas including the update of the NSER, refining the conditional cash transfer (CCT) programme's operational manual and a communications strategy. Using the trust fund, the Bank has hired a consulting firm to support BISP to improve the design and monitoring of the quality of the NSER update. The trust fund has strategic importance due to its role in promoting collaboration between the Federal and provincial governments for social protection of the poorest. The trust fund is providing technical support to the Punjab Social Protection Authority (PSPA) to design CCT interventions in important areas such as nutrition. There is further scope to increase efforts for promoting a policy dialogue on social protection at provincial level, and to explore how BISP nationally aligns with provincial social protection mechanisms, particularly in times of emergency.

49. **Indicator 3.3:** Transparency of beneficiary payment processes is high as 94% beneficiaries are paid through electronic methods. The use of electronic methods allows access to payment data more quickly (as compared to paper-based payments through the Post Office), and therefore, enables BISP to conduct its financial reconciliation on regular and timely basis. Debit cards will be replaced by a biometric verification payment system (BVS). BISP has launched an extended pilot of this model in five districts. All these measures have strengthened transparency and helped BISP to reduce its vulnerability to risks of fraud and corruption.

Summary of responses to issues raised in previous annual reviews (where relevant)

50. The recommendation on the use of the trust fund to support the NSER update is being implemented. Progress on other recommendations is mixed. The 2015 annual review recommended developing a time-bound action plan to improve beneficiary satisfaction and to maintain a baseline. BISP's management decided to take up this recommendation when the new payment model is up and running. The annual review recommended that steps should be agreed with BISP for an alternative arrangement for beneficiary feedback after Mott McDonald's contract with DFID ends in December 2016. DFID held discussions with the Monitoring and Evaluation (M&E) team of BISP but a plan was not agreed. BISP has now started planning for an alternative arrangement. DFID should support BISP in this process. Finally, the annual review recommended revisions to the logframe indicators to reflect the institutional strengthening needs of BISP. The Senior Responsible Officer (SRO) decided to revisit the indicators after new areas of technical assistance are agreed as part of the upcoming mid-term review (MTR).

Recommendations

51. We recommend the following actions for the year ahead:
- i) The disbursement linked indicators (DLIs) and the logframe should be restructured to reflect BISP's future institutional priorities. The indicators should focus on a broader range of elements such as governance, monitoring and evaluation, communications, operational efficiency, the grievance redressal mechanism and the NSER update. This action should be completed as part of the MTR process.
 - ii) BISP and DFID should agree an alternative arrangement for spot checks and beneficiary feedback by December 15, 2016.
 - iii) The trust fund should do more strategic work and promote a policy dialogue on social protection policy and Federal-provincial collaboration for poverty reduction. We expect that this will be addressed by April 30, 2017 as part of DFID-World Bank discussions on the priorities and deliverables for the next year.
 - iv) DFID and BISP should agree an action plan and technical assistance to improve the grievance management system related to payments.

Key cost drivers and performance

52. Analysis of cost drivers and performance is presented below using DFID's value for money (VfM) framework.

53. **Economy:** Costs of stipends paid to beneficiaries of the unconditional cash transfer (UCT) and the conditional cash transfer (CCT) programmes is the biggest cost driver. The second largest cost drivers are administrative expenditure (salaries, regular operational expenses) and service charges to the payment service providers (PSPs). If the administrative costs as percentage of total costs are low, it would represent economy. In 2015-16, BISP's total administrative expenditure was 2% of its total expenditure: 1.6% for salaries and 0.4% for other operational expenses. Service charges to the PSPs, which are not included in this figure, amounted to 2.4% of the total expenditure (Table 1). BISP's ability to keep administrative costs to a reasonable level is commendable given that it is a national programme serving 5.2 million beneficiaries with a physical presence in 99% of the districts in the country. The total transfer to cost ratio for BISP is 1.04¹². This ratio compares well to Mexico's *PROGRESA* and Lesotho's Old Age Pension programme, which have transfer to cost ratios of 1.05 and 1.02 respectively.

Table 1: BISP Expenditure 2015-16

Component	Spend (Rs. Million)	Share
UCT –unconditional cash transfer	95,673	93.8%
CCT - conditional cash transfer	1,880	1.8%
Service charges	2,406	2.4%
Salaries	1,622	1.6%
Other administrative expenses	417	0.4%
Total	101,998	100%

54. New contracts will be in place for the biometric verification system (BVS) in 2017. While this is unlikely to reduce the service charges significantly, ensuring a competitive process for selection of partner banks will consider fees and help ensure BISP is capturing the best value for the services the banks provide.

55. **Efficiency:** Effective targeting of the poorest and vulnerable, regularity of payments and convenience of beneficiaries to withdraw their payment are important indicators of efficiency.

- BISP has a credible targeting system in the form of the National Socio-Economic Registry (NSER), which contains data for 27 million households. A household that has a poverty score of 16.17 or below is eligible to receive BISP's cash transfer. More than 75% of BISP beneficiaries are from the poorest 40% of the population. This means that the benefits of this programme are reaching the poorest people from the bottom two quintiles. The on-going update of the NSER will further improve targeting through up-to-date data. BISP has made commendable improvements in the regularity of payments with 99.7% payments reaching the beneficiaries in a specified week of the quarter. This is made possible due to the use of electronic payment systems. 94% of beneficiaries receive payments using either a debit card or mobile banking. 6% of beneficiaries who do not have access to electronic payment systems receive payments through the Pakistan Post.
- There is a lot of space for improving convenience with which beneficiaries can withdraw their payment. According to Mott MacDonald's beneficiary feedback surveys and spot checks, 20% of beneficiaries make multiple trips for withdrawals, and 18% of beneficiaries report having to pay small additional fees to agents for getting help to receive their payments. The low literary level of the beneficiaries is a major challenge that restricts them from operating technology such as Automated Teller Machines (ATM), on their own. These issues suggest that there is further

¹² This means that every Rs.100 transferred to beneficiaries costs BISP Rs.4.

space for improving efficiency. The introduction of biometrics will address concerns about self-withdrawal and payments to agents. Early findings from the BVS pilot confirm that the role of agents in assisting beneficiaries to withdraw payments will no longer exist, as beneficiaries will not need help to use an ATM. BISP is also going to pilot the provision of free Subscriber Identity Modules (SIMs) to beneficiaries so that they could receive text messages in Urdu when the funds are in their accounts and the amount of those funds. Mott's findings suggest that beneficiaries request their children, neighbours or other relatives to read communications for them if they are not able to do so. These measures are expected to improve the efficiency of BISP's systems.

56. **Effectiveness:** Impact on poverty, consumption and school attendance are the key indicators of effectiveness of the programme. Four impact evaluations conducted by Oxford Policy Management (OPM) have consistently confirmed positive benefits of both the unconditional cash transfer (UCT) and the conditional cash transfer (CCT) for education programmes in terms of poverty reduction, increased expenditure on essential needs, and women's empowerment. OPM found that each beneficiary spends an additional Rs.187 (£1.50) per family member per month on essential needs such as food, health and clothing. Beneficiaries have reported higher consumption of high quality protein such as fish. Results from the impact evaluation also report improved nutritional status of girls and a significant increase in household assets. The number of children attending primary schools in CCT-recipient families is 10% higher than those families, which do not receive the CCT. In addition, female beneficiaries play a more active role in decision-making within the household including managing money. These findings suggest that BISP is an effective programme for the poorest and vulnerable population of Pakistan.

57. The Federal government's spending on BISP amounted to 19% of the Federal development expenditure in 2015-16. This commitment to the poorest is important in a country where over 60 million people live below the poverty line. As part of the Mid-Term Review (MTR), consideration will be given to how BISP will work in the latter part of the Pakistan National Cash Transfers Programme (PNCTP) with provinces to deliver a broader package of support that help beneficiaries build stronger livelihoods and exit BISP. Increasing beneficiaries' ability to increase their incomes will in the medium term mean that the Government of Pakistan (GoP) has the fiscal space to continue to raise stipends to keep pace with inflation, and expand BISP's CCT programming. The updated NSER will be important to this future work.

VfM performance compared to the original VfM proposition in the business case

58. The programme is on track with the VfM originally proposed in the business case. PNCTP business case focused on lower administrative costs by delivering cash transfers through BISP, while seeking efficiency in targeting and payment systems. The focus on expanding the coverage, and improving the targeting and payment systems has been effective in incentivising scale-up, economy and efficiency of BISP's cash transfer initiatives. Use of technology-based payments continues to be a strength of BISP systems.

Assessment of whether the programme continues to represent value for money

59. The programme has maintained and in some cases improved economy, efficiency, and effectiveness across its operations. The NSER update and the use of BVS payments are important system-level reforms, which will significantly improve economy, efficiency and effectiveness in BISP's operations. Impact evaluations have shown consistently positive impact on the lives of the poor and therefore the programmes continues to represent VfM.

Quality of financial management

60. PNCTP uses a Payment by Results (PbR) approach. This means that funds are released after pre-agreed DLIs are achieved by BISP and verified by DFID. To date, DFID has disbursed a total of £167.67 million in financial aid to BISP. If results are met this year, £104.09 million will remain until the programme concludes in March 2020: £98.39 in financial aid and £5.70 million in technical assistance. The programme budget invested prior to the mid-term point of the programme helped to scale-up the UCT and the CCT programmes and encouraged the GoP to undertake bold institutional reforms to improve the targeting and payment systems. A major proportion of the balance amount is allocated for the CCT programme as per the allocation in the business case. Decisions on programming and scope for the remaining period will be based on the MTR's recommendations.

Table 2: Summary of PNCTP's budget and expenditure (as of August 31, 2016)

Component	Description	Total Budget	Outstanding payments this fiscal year (by March 31, 2016)	Total spend (excluding outstanding payments)	Balance (April 2017 – March 2020)	Disbursement since DFID's last annual review (£) (Sept 15 – Sept 16)
Financial Aid	Design & Appraisal	164,442.00	0.00	164,442.00	0.00	0.00
	UCT	154,750,000.00	1,875,000.00	136,250,000.00	16,625,000.00	31,250,000.00
	CCT	124,262,000.00	11,250,000.00	31,250,000.00	81,762,000.00	9,375,000.00
	Sub-Total	279,176,442.00	13,125,000.00	167,664,442.00	98,387,000.00	40,625,000.00
Technical Assistance	Monitoring and evaluation	6,676,195.00	291,977.00	3,682,616.00	2,701,602.00	1,237,282.00
	Pilot Work on Nutrition	87,000.00	0.00	87,000.00	0.00	0.00
	World Bank Trust Fund	9,000,000.00	1,000,000.00	5,000,000.00	3,000,000.00	1,000,000.00
	Aurat Foundation AG	5,360,363.00	173,013.00	5,187,270.00	80.00	1,692,591.00
	Sub-Total	21,123,558.00	1,464,990.00	13,956,886.00	5,701,682.00	3,929,873.00
Total	300,300,000.00	14,589,990.00	181,621,328.00	104,088,682.00	44,554,873.00	

61. The quality of financial management has improved due to detailed budget profiling down to tehsil level, increased regularity in financial reconciliations and improved audit capacity within BISP. BISP has completed all pending reconciliations including the Pakistan Post (until 31st December 2015), partner banks (until May 2016), and the CCT (until May 2016). The Finance and Accounts Wing of BISP carries out reconciliations on regular basis. BISP has also recruited a consultant to update the Finance and Accounting Manual including changes in the Payment Manual. The Internal Audit Wing has increased human resources from 10 to 19 including an Asian Development Bank-supported consultant. The operations now encompass multiple functions including risk-based auditing and external audit management. The Board's Audit Committee meets regularly under the leadership of a dedicated Board member to formalise audit decisions. There is also significant scope for using the audit observations to inform the technical assistance for improving systems and operational procedures.

Recommendations

62. Recommendations for improvements in VfM and financial performance are as follows:
- BISP should undertake a VfM analysis of the new CCT delivery model by the end of 2017 looking at attendance compliance monitoring and social mobilisation.
 - BISP should develop a VfM framework linked to its monitoring and evaluation (M&E) systems by June 2017. The framework should assess all direct and indirect costs covering the UCT programme, the CCT programme, the NSER, payment systems, and procurement.
 - Bank service charges are a key cost driver for BISP's annual expenditure. BISP should negotiate lower service charges and better standards of service with the PSPs under the new payment model. VfM must be a priority for procurement and contract negotiations.

Date of last narrative financial report	August 2016
Date of last audited annual statement ¹³	December 2015

¹³ The Auditor General of Pakistan (AGP) conducts the audit and provides a copy of the audit directly to DFID.

Overall risk rating: Severe

63. The overall risk rating is maintained as “severe”. The overall performance against the agreed milestones and impact on the lives of poor has met expectation. However, BISP is passing through a critical transition phase due to the on-going institutional reforms, which are ambitious, complex, and require significant financial and human resources. A failure to complete the reforms on time and to a high standard will affect the political ownership, credibility and delivery of BISP’s core operations.

64. There is a need to monitor and manage four key risks in the year ahead: First, looking towards the 2018 elections, there is a risk that leadership might change which could slow down the delivery of the on-going reforms. Second, there are significant staffing gaps in technical teams (especially for the National Socio-Economic Registry (NSER) update, the Conditional Cash Transfer (CCT) programmes and communications) and if they continue, BISP will struggle to manage the procurements and implementation of new systems. The staffing gaps will be exacerbated if BISP is unable to offer its current competitive remuneration package to the core staff and specialists. Third, the end of DFID’s Stability and Growth (S&G) programme means that in future stipends may fall behind the increasing costs of food and other essentials. Fourth, BISP needs to keep on top of operational risks including its procedures for identifying, reporting and routing out fraud and corruption. DFID will need to step up engagement with the Ministry of Finance and BISP’s leadership for monitoring and managing these risks.

65. Keeping these risks in mind the risk rating for the unconditional cash transfer (UCT) programme (output 1) has been revised from ‘major’ to ‘severe’. Another reason for the revision is that three out of four indicators under this output fell short of expectation. The risk rating for the CCT programme (output 2) is retained as ‘severe’. A risk matrix has been populated as part of the programme’s delivery plan that sets out mitigating actions and the risk owner for each risk. Upon completion of this annual review, the programme team will review and update the risk matrix as part of the delivery plan and reflect output level risks in the logframe.

66. The main risks against DFID’s new risk management framework are as follows:

- A. **External context:** The allocation of sufficient funds by the Government of Pakistan (GoP) to finance BISP’s expansion should be monitored. The expansion of both the UCT and the CCT programmes will put pressure on the budget when the government has an austerity budget. The end of the S&G programme which supported the GoP to raise stipends to keep pace with inflation as part of the IMF programme means that in future stipends may fall behind the increasing costs of food and other essentials. Engagement with the Ministry of Finance and negotiation of new disbursement linked indicators (DLIs) as part of the mid-term review process will be important for ensuring that the stipend keeps pace with inflation.
- B. **Delivery:** As BISP is undergoing a significant institutional change, its internal capacity to manage the transition and deliver the programmes effectively is under pressure. BISP will need strong leadership at the Board and senior management levels and a fully staffed organisation for completing its institutional reforms successfully. A number of key positions are vacant. There is a risk that staffing gaps at BISP Headquarters will affect the timing for completion and quality of the NSER update and the transition towards the new CCT delivery model. Some tehsil offices also lack the necessary human resource to manage their workloads. Currently, BISP offers competitive remuneration to attract competent people from within the government using a Special Pay Scale (SPS). In the future, the GoP’s austerity measures might put pressure on BISP to revise the remuneration package, which if not competitive, will cause attrition among quality staff.
- C. **Operational:** Operational risks are related to slippages in procurements of implementing firms for the NSER update, the CCT for education, and the new payment model. DFID’s regular interaction with the BISP Secretary and technical teams, and the technical support through the World Bank-managed trust fund will be important for mitigating these risks.

- D. **Safeguards:** Spot checks at payment sites and beneficiary feedback are important safeguards for ensuring the money reaches the intended beneficiaries. There is a risk that an alternative arrangement for third-party monitoring will not be put in place after the conclusion of DFID's contract with Mott MacDonald. This will reduce the oversight of the payment system. DFID and BISP should agree a third-party mechanism for spot checks to avoid a gap.
- E. **Fiduciary:** BISP's internal systems including targeting of beneficiaries based on the NSER data, the poverty scorecard and tied to computerised national identity cards (CNICs), its use of electronic payments and in the future a biometric payment system all help to reduce fraud and corruption risks. BISP's senior management has a zero tolerance policy towards fraud and corruption. DFID's Fraud Liaison Officer provided training to all of BISP's senior staff so that it is well understood that any fraud or corruption allegation must be immediately reported to DFID. DFID's Payment by Results (PbR) approach based on BISP achieving DLIs and DFID verifying this information before any payment to BISP provides assurance that funds are used for their intended purpose. DFID updated BISP's fiduciary risk assessment (FRA) in February 2016. The report identified two "critical" risks highlighting the need to improve IT policy and delays in reconciliations of funds. The programme team has agreed an action plan with BISP to address these risks. Quarterly reviews and annual review are undertaken to monitor progress.
- F. **Reputational:** Targeting of the poor through the NSER is a main strength of BISP, which has played a key role in securing political ownership and credibility of cash transfers. Therefore, any weaknesses in the quality of data being collected for the NSER update might pose significant reputational risk to BISP and development partners. Therefore, BISP needs to maintain a strong focus on ensuring transparency and quality of data being collected for the NSER update. Hiring of competent survey firms, field supervision and quality assurance system, and robust monitoring are important measures for mitigating this risk.

Outstanding actions from the risk assessment

67. The progress on recommendations from the previous annual review is positive. The progress is recorded in an Action Matrix, which also monitors progress on the recommendations from DFID's Fiduciary Risk Assessment (FRA). One area that will require attention in the second half of PNCTP is data security. DFID will use the mid-term review (MTR) to agree measures with BISP in this area.

F: COMMERCIAL CONSIDERATIONS (½ page)

Delivery against planned timeframe

68. BISP has achieved all of the disbursement linked indicators (DLIs) on time, including those that required difficult decisions and significant financial commitments such as launching the test phase of the National Socio-Economic Registry (NSER). The expansion of the unconditional cash transfer (UCT) and the conditional cash transfer (CCT) programmes continues. The leadership of the Chairperson, the Secretary and the Board has been an important factor of success. Two important areas where delays occurred in 2015-16 include the hiring of partner firms for the CCT programme and the payment service providers (PSPs) for the BVS. Revised plans have been prepared to complete these tasks and management should ensure no further timeline slippages.

Performance of partnership (s)

69. The performance of DFID's technical assistance partners is assessed as satisfactory in terms of delivery, financial management, and overall compliance with DFID policy.

- Aurat Foundation played a critical role in the expansion of the CCT programme to the 32 districts. DFID's Accountable Grant to Aurat Foundation ended on 31 July 2016. DFID has received the Project Completion Review (PCR) report. A plan for handing over data and assets has been agreed. The closure of this grant will be completed by mid-November 2016.
- Mott McDonald has completed all rounds of beneficiary feedback surveys and spot checks. The contract will end in December 2016. BISP and DFID have initiated a discussion on how to continue regular third-party spot checks and beneficiary feedback surveys in the future. A decision is expected to be agreed by mid-December 2016.

- The World Bank-manged trust fund has delivered high quality technical assistance to BISP for improving its systems. With £4 million remaining in the trust fund until 2019/20, DFID should have focussed conversations with the World Bank (WB) to respond to time-critical technical requirements from BISP on the need to facilitate Federal-provincial collaborations for social protection of the poorest. DFID's MTR will also inform plans for future priorities and expenditures.

Asset monitoring and control

70. Aurat Foundation and Mott MacDonald purchased assets to deliver their fieldwork. DFID is working with both Aurat Foundation and Mott MacDonald to complete the asset transfer process as part of the closure of their contracts.

G: CONDITIONALITY (½ page)

Update on partnership principles (if relevant)

71. As per the Exchange of Letters signed between DFID and the Government of Pakistan (GoP), both parties agreed that funding is based on GoP's commitment to poverty reduction, gender equality, protection of human rights and strengthening public financial management and accountability, as set out in the UK's Development Partnership Arrangement with Pakistan. DFID monitors the GoP's commitment on these aspects. DFID Pakistan's overall assessment is that the GoP is demonstrating a credible commitment to the four Partnership Principles, particularly given the fragile security and the challenges of the country's democratic evolution. Continued support and ownership of BISP is a good example of GoP's commitment to poverty reduction and gender equality.

H: MONITORING & EVALUATION (½ page)

Evidence and evaluation

72. The performance of BISP's contract with Oxford Policy Management (OPM) improved significantly in 2015-16 despite initial delays in completion of surveys. OPM has completed four impact evaluations to date. The reports measured the impact of BISP on the lives of beneficiaries using a scientifically robust methodology. The World Bank (WB) provided additional technical support on the methodology. All reports have consistently shown that BISP is an effective programme for the poor and vulnerable population. It has positive impact on poverty reduction, consumption levels, school attendance and women's empowerment (key findings are summarised in paragraph 56 above).

73. Evidence of impact is necessary to secure political ownership and funding for BISP. BISP's contract with OPM will conclude this year. Therefore, investment in evidence and evaluation of this programme is a future priority for the remainder of PNCTP. DFID should consider this in the mid-term review (MTR). The MTR might also consider conducting a longitudinal study to measure impacts of BISP on women's social and economic empowerment.

Monitoring progress throughout the review period

74. BISP's internal monitoring and evaluation (M&E) unit is fully functional and is monitoring the updating of the National Socio-Economic Registry (NSER), delivery of the unconditional cash transfer (UCT) and the conditional cash transfer (CCT) programmes and operational aspects of the biometric verification system (BVS) pilot. BISP's senior management takes the unit's recommendations seriously in decision making including course corrections. The M&E unit has developed four monitoring plans for 2015-16 to monitor the desk-based registration of beneficiaries, online performance monitoring, spot checks, and community verification. The senior management of BISP has approved these plans.

75. Mott McDonald completed four surveys for spot checks at payment sites and collected feedback from beneficiaries during the review period. BISP has prioritised 16 recommendations based on their reports and are pursuing remedial action through relevant internal units. DFID monitors progress using an Action Matrix.

76. DFID and the WB undertake regular quarterly implementation support missions, which serve as platforms for discussions on the status of disbursement linked indicators (DLIs), areas of slow progress and agreement on time-bound decisions, which are documented in Aide Memoires. Since the last annual

review in August 2015, three quarterly reviews have taken place in December 2015, April 2016 and August 2016. DFID and the WB follow up regularly on findings and recommendations from these reviews. DFID team also meets the senior management of BISP, including the Chairperson, the Secretary and Directors General (DGs) on a regular basis to assess progress and follow up on priorities.