

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. The Benazir Income Support Program (BISP) is Pakistan's flagship social protection program and one of South Asia's largest safety net initiatives. When launched in 2008, its immediate objective was to cushion the negative effects of slow economic growth, rising food prices, and inflation on the poor, particularly women. The longer-term objective was to provide minimum and predictable income support to all poor and vulnerable households in the country and ensure a basic level of human development. The BISP has now evolved into a social platform to promote income support and poverty graduation. The BISP is mainly financed by the government, which allocates about \$1.2 billion annually (around 0.4 % of gross domestic product and half of the total social protection expenditure), and it serves about 5.6 million poor households (approximately 17% of the country's population) with regular unconditional cash transfers (UCTs) and conditional cash transfers. It aims to eventually provide income support to 7 million households (around 20% of the poorest people in a population of over 200 million). The new government, elected in July 2018, has made it a priority to retain and expand the BISP as the primary social safety net tool for the poor in Pakistan.¹

2. The Asian Development Bank (ADB) approved the loan under the Social Protection Development Project (SPDP) in various currencies equivalent to SDR283,776,000 on 22 October 2013.² The loan agreement and the project agreement were signed on 25 November 2013, and the loan became effective on 24 June 2014. The current closing date of the loan is 30 June 2022 after the second extension. The BISP is the executing and implementing agency of the project. The expected outcome of the project is increased resilience of BISP female beneficiaries and their families. The project aims to support the full expansion of the BISP's cash transfer program to pending families, and the improvement and expansion of graduation programs of business incubation for self-employment (BISE), including inclusive business and direct cash, to lift beneficiaries out of poverty. The original scope of the project included the improvement and expansion of two graduation programs for health and skills development: Waseela-e-Sehet (health insurance program) and Waseela-e-Rozgar (skills development program). These programs were later replaced by the graduation program through a minor change in scope on 8 December 2017. In addition, BISP financial management and internal control systems will be strengthened by the project.

B. Performance of the Project

3. The project is assessed in the following aspects.

(i) **Delivery of expected outputs.** The expected outcome of the project is increased resilience of BISP female beneficiaries and their families. The project had four outputs: (i) cash transfer program coverage expanded; (ii) health insurance program refined and rolled out; (iii) skills development program strengthened;³ and (iv) financial management and control systems and policy research improved.

(a) **Output 1.** As of March 2019, the SPDP had enabled the enrollment of 855,052 beneficiaries (around 16% of the 5.6 million total eligible beneficiaries). These "ADB beneficiaries" are eligible for 10 quarterly

¹ Government of Pakistan, Office of the Prime Minister. 2018. [Prime Minister's First 100 Days Agenda](#). Islamabad.

² ADB. [Pakistan: Social Protection Development Project](#).

³ In 2018, through another amendment to the loan agreement dated 20 February 2018, ADB and the BISP agreed to reprogram Waseela-e-Rozgar and Waseela-e-Sehet to the BISP graduation program.

payments from the ADB loan.⁴ As of 23 July 2019, \$324.4 million had been disbursed under the UCT component, which is equal to 84.5% of the total disbursements under the loan. Approximately 55,000 ADB beneficiaries are yet to be paid and \$7 million is required for this purpose. On 12 July 2019, the project team approved the memorandum for reallocating savings from various loan categories to the UCT category to finance the remaining beneficiaries for the payments up to 10 quarters.

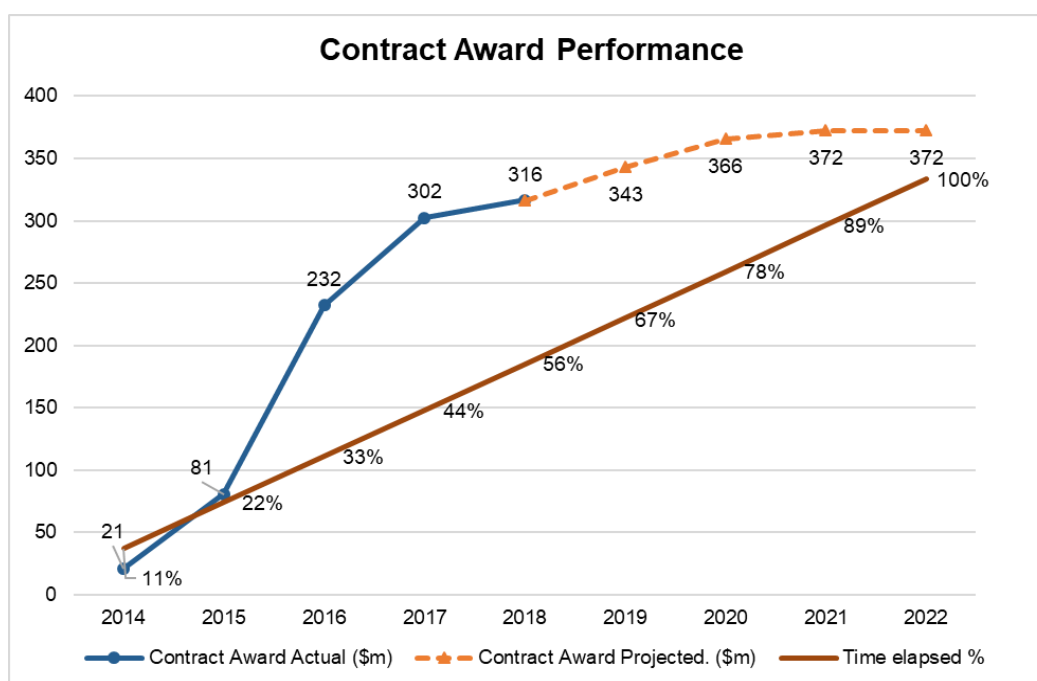
- (b) **Output 2.** \$37.5 million has been allocated for the BISP graduation program, which has four components: (i) BISE, (ii) inclusive business, (iii) direct cash for startup business, and (iv) public works for temporary income. The BISP board in its 29th meeting held on 29 January 2018 approved the BISP graduation program on the basis of the recommendation of the BISP design committee. The BISP board approved implementation of BISE and inclusive business on a pilot basis using approximately \$35 million. The status of each component as of July 2019 was as follows:
- **Business incubation for self-employment and inclusive business.** ADB approved a change in scope memorandum on 8 December 2017 in which Pakistan's National Rural Support Program was made responsible for carrying out BISE and inclusive business as an implementing agency for the SPDP. However, in 2018, the BISP and ADB mutually agreed to terminate the National Rural Support Program's contract and procure a new implementing agency through open competitive bidding. ADB provided its "no objection" for open competitive bidding on 3 October 2018 for procurement of the new implementing agency. The expression of interest for the new implementing agency was floated on 15 June 2019. The BISP is currently evaluating the 17 expressions of interest received. The progress on the hiring of the project management unit for the graduation program is slow. The team is yet to be contracted, although the shortlisting of candidates was completed in May 2018. The BISP is also working on the terms of reference for third-party evaluation of BISE and inclusive business as a poverty graduation pilot. For effective implementation of this pilot, a second loan extension was approved on 12 July 2019.
 - **Direct cash.** This component, which was originally allocated \$5 million, has been reallocated \$1.5 million, with the difference moved to UCT. This component will be implemented through a consortium comprising the Massachusetts Institute of Technology, Harvard University, and the London School of Economics. The consortium has contracted RCons, a research consultancy based in Lahore, to help design the component. A memorandum of understanding has been signed by all the parties concerned.
 - **Public works.** The BISP board has put the implementation of this component on hold and will explore implementation options further with provincial governments.
- (c) **Output 3.** BISP has developed an internal audit manual and internal audit charter under this component. In addition, the audit reports for FY2017 and FY2018 have been completed, and the BISP has submitted audited

⁴ The support to the BISP under the project originally envisaged the enrollment of 2.4 million new beneficiaries for the cash transfer program who were otherwise eligible but were not enrolled for cash transfers because of some discrepancy in their data—primarily the absence of a computerized national identity card.

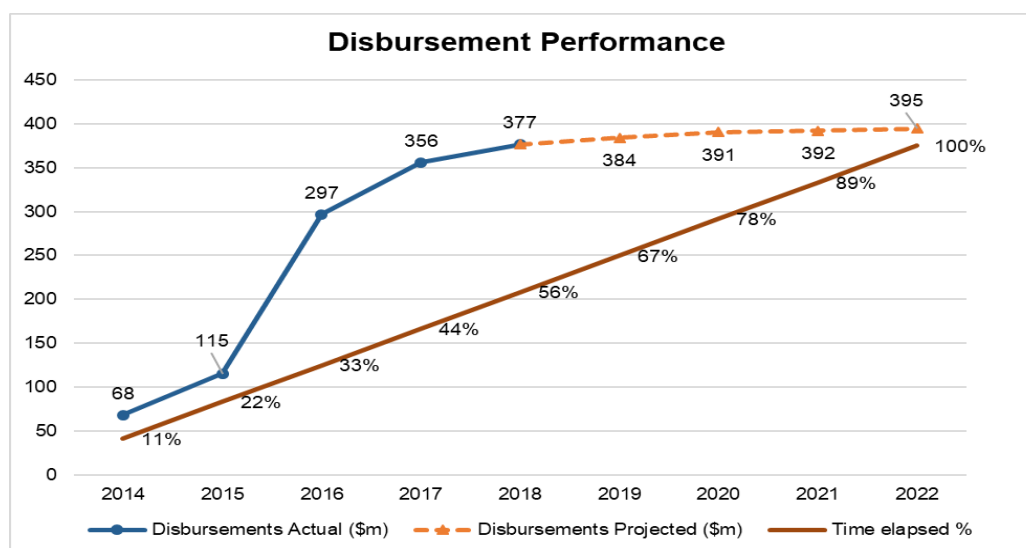
entity financial statements. Procurement for the firm to audit the FY2019 financial reports is yet to commence.

- (ii) **Satisfactory implementation progress.** ADB allocated to the SPDP a total amount of SDR283,776,000 (about \$394,534,000 as of 23 July 2019). The total contract award under the loan is \$325.9 million (82.6% of the loan amount) and disbursement is \$383.9 million (97.3% of the total loan amount). Total undisbursed funds are \$10.5 million and \$38.2 million are in the imprest account, ready for immediate usage by the BISP for a BISE and inclusive business pilot. The performance of the SPDP with respect to contract award and disbursement is given in the figure.

Contract Awards and Disbursement Performance



Source: Asian Development Bank



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- (iii) **Satisfactory compliance with safeguard policy requirements.** Compliance with safeguard policy requirements is rated *satisfactory*. The SPDP was classified category C for environment, involuntary resettlement and indigenous peoples in accordance with ADB's Safeguard Policy Statement (2009). There have been no project activities resulting in or leading to involuntary resettlement, or that have negatively affected indigenous peoples or the environment. Since the project did not support any physical intervention, no land acquisition was required. In addition, the project was classified with a *gender equity* theme, as the BISP is Pakistan's largest social safety net program with a strong focus on women's empowerment, transferring cash directly to women beneficiaries' bank accounts. The additional financing and subsequent scale-up in project activities will further reinforce this classification.
- (iv) **Successful management of risks.** The loan review mission was held in May 2019, and there has not been any noncompliance with the loan and project covenants. All the covenants have either been complied with or are being complied with. The ongoing project is performing well, no integrity concerns have been raised, and none of the activities have a safeguards category of A for environment, involuntary resettlement, or indigenous peoples. This assessment is borne out by various evaluations of fiduciary risk and financial management in the BISP,⁵ including the 2018 error, fraud, and corruption report, which found that although it is inevitable that some degree of error, fraud, and corruption will exist in UCT and conditional cash transfer programs, the BISP has implemented a number of measures to safeguard against these risks, including (i) switching from community-based targeting to more effective targeting using a proxy means test-based poverty scorecard; (ii) developing one of the largest databases of poor households (with the creation of the National Socio-Economic Registry); (iii) making payments to beneficiaries by personal identification number-controlled debit cards or a card-less system that uses biometric verification; (iv) establishing an automated case management system that interfaces with beneficiaries at the district level; (v) conducting independent spot check monitoring of payments; (vi) conducting pre-payment checks and validation of payroll; and (vi) using third-party evaluations of processes and the BISP to assess its efficiency and improve the quality of services.⁶
- (v) **On track rating.** The project is rated *on track* in ADB's performance management system.

C. Conclusion

4. The performance of the SPDP is *satisfactory*, and all the outputs are *on track*. There was a delay in the implementation of output 2, but the related issues have been remedied and a new implementing agency is expected to be on board by December 2019 for the pilot implementation of the BISP graduation program. The additional financing will scale up the scope of the ongoing project to include (i) continuation of UCT payments under the BISP to cushion the impacts on the poor of the macroeconomic challenges Pakistan is facing, (ii) further improvements in financial management and control systems of the BISP to support these cash transfers, and (iii) strengthening of policy research functions in line with the Ehsaas program (para. 5 of the main text of this report and recommendation of the President). The additional financing will also

⁵ World Bank. 2017. [Pakistan National Social Protection Program-for-Results: Fiduciary Systems Assessment](#). Washington, DC. The World Bank fiduciary systems assessment of the BISP concluded that fiduciary risks associated with procurement, financial management, and governance (including fraud and corruption risks) were moderate and that internal control systems were fairly reliable.

⁶ Department for International Development of the United Kingdom. Assessment of Error, Fraud and Corruption Controls in Pakistan BISP Cash Transfer Programmes. Unpublished.

provide an invaluable opportunity to set the direction of ADB's strategic engagement in social protection and poverty reduction in Pakistan, especially with a tentative follow-on second phase of ADB support (an allocation of \$300 million) scheduled for Board consideration in 2020–2021, as indicated in the country operations business plan.⁷

⁷ ADB. Forthcoming. *Country Operations Business Plan: Pakistan, 2020–2022*. Manila.