

Project Administration Manual

Project Number: 45233-006
Loan Number: LXXXX-PAK
August 2019

Islamic Republic of Pakistan: Social Protection
Development Project (Additional Financing)

ABBREVIATIONS

ADB	=	Asian Development Bank
APFS	=	audited entity financial statements
BBC	=	BISP Beneficiary Committees
BDC	=	Benazir debit cards
BGP	=	BISP graduation program
BISE	=	business incubation for self employment
BISP	=	Benazir Income Support Programme
BVS	=	Biometric verification system
CCT	=	conditional cash transfers
DAC	=	department accounts committee
DC	=	direct cash
DMF	=	design and monitoring framework
FMA	=	financial management assessment
GDP	=	gross domestic product
IB	=	inclusive business
ICS	=	individual consultant selection
LCS	=	Least cost selection
LIBOR	=	London interbank offered rate
LMA	=	limited mandate accounts
MTR	=	mid-term review
NGOs	=	nongovernment organizations
NSER	=	national socio-economic registry
OCB	=	open competitive bidding
PAI	=	project administration instructions
PAM	=	project administration manual
PIU	=	project implementation unit
PMU	=	project management unit
PRU	=	policy research unit
PW	=	public works
QCBS	=	quality- and cost based selection
RFQ	=	Request for quotations
RRP	=	report and recommendation of the President to the Board
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference
UCT	=	unconditional cash transfers

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures.

The executing agency, the Benazir Income Support Programme (BISP), is wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by executing agency of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail. In addition, the PAM has been updated to reflect the proposed additional financing of \$200 million and the new activities that it will cover.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

^a The name of the operational financing document may vary on a project-to-project basis; this reference shall be deemed to encompass such variations, e.g., a Framework Financing Agreement, as applicable.

I. PROJECT DESCRIPTION

A. Rationale

1. **Despite substantial reductions in poverty rates, a quarter of the population remains below the poverty line.** Pakistan showed a substantial decline in poverty headcount from 64.3% in 2001 to 24.3% in 2015.¹ However, the pace of poverty reduction has not been uniform throughout the country, with greater annual rates of decline in urban areas (9%) compared to rural areas (6%). Rural poverty is more than twice as high as urban poverty with rural areas still accounting for 4 out of 5 poor individuals, a share that is unchanged since 2001. In addition, 24.3% of the population of 200 million live under the poverty line, and a further 10% are near-poor and highly vulnerable to shocks that could pull them below the poverty line. Persistent cycles of low human capital investment, especially for women, and poor health outcomes, are the main factors behind this chronic intergenerational poverty and continued gender inequality.²

2. **Low human capital investment.** Despite its lower-middle-income status, Pakistan remains one of the lowest performers in human capital development in the region, missing its health and education Millennium Development Goals targets. It ranks the highest in South Asia and the third highest globally in stunting and wasting rates, with almost half of under-five children being stunted. Almost 23 million children are out of school overall. Of this number, 4.9 million children are of primary age (8% of the global total) and 54% are girls.³

3. **Low health development outcomes.** Pakistan has one of the highest maternal mortality ratios in the region at 178 per 100,000 live births. The neonatal mortality rate (per 1,000 live births) is 57 and the under-five mortality is 81 per 1,000 live births. While communicable diseases continue to be a concern (Pakistan has the sixth highest global burden of tuberculosis and has 12 million people suffering from hepatitis B or C), non-communicable chronic diseases are now accounting for over half of all deaths (led by cardiovascular diseases, 29%, and cancers, 8%).⁴ Health care expenditure remains a critical risk factor for keeping people in poverty or pulling people into poverty. Out-of-Pocket health care expenditure accounts for two-thirds of all health care expenditure in Pakistan, increasing from 61.5% in 2000 to 65.2% in 2016.⁵

4. **National social protection and poverty reduction strategy.** In April 2019, the Prime Minister released its Ehsaas policy statement. The policy is specifically targeted at: “extreme poor, orphans, widows, the homeless, the disabled, those who risk medical impoverishment, for the jobless, for poor farmers, for laborers, for the sick and undernourished; for students from low-income backgrounds and for poor women and elderly citizens.” Its main objective is to “reduce inequality, invest in people, and lift lagging districts”.⁶

5. **Institutional Framework for Ehsaas.** As part of Ehsaas, the government established Poverty Alleviation and Social Safety Division, which the Benazir Income Support Programme (BISP), the country’s primary social protection program, to: (i) develop policies for and

¹ World Bank. 2019. *Pakistan at 100 from Poverty to Equity: Policy Note*. Washington, D.C.

² ADB. 2019. *Islamic Republic of Pakistan: Country Diagnostic Study*. Manila (unpublished).

³ NEMIS (National Education Management Information System). 2017. “Pakistan Education Statistics 2015–16.” Ministry of Federal Education and Professional Training, Government of Pakistan, Islamabad, Pakistan. Accessed July 16, 2019. library.aepam.edu.pk/Books/Pakistan%20Education%20Statistics%202015-16.pdf (accessed 16 July 2019).

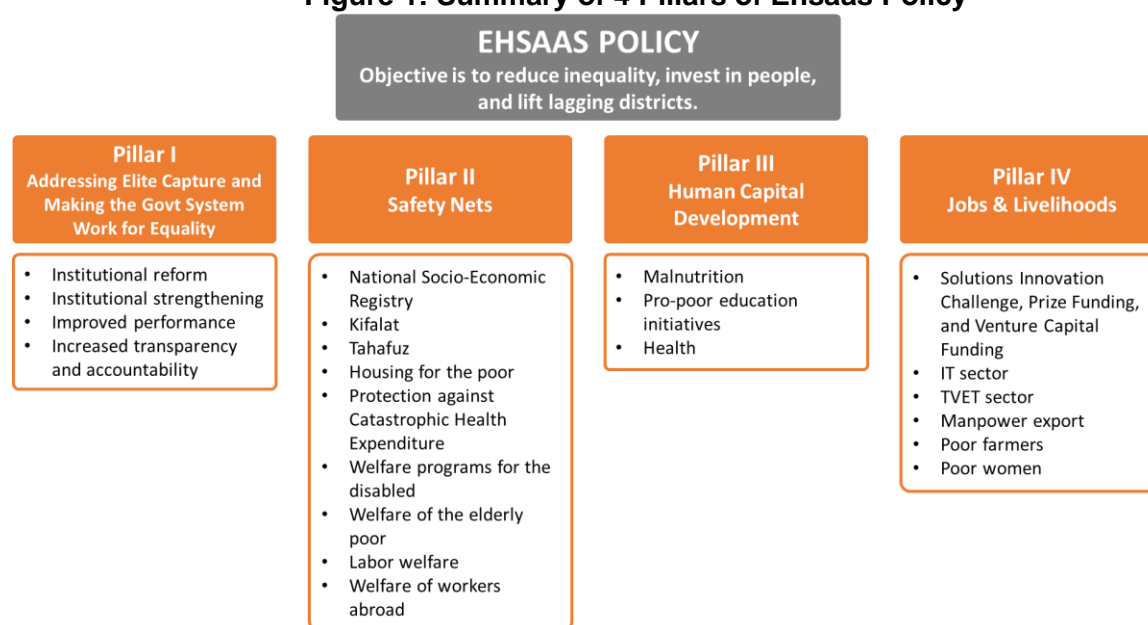
⁴ WHO data 2016. https://www.who.int/nmh/countries/pak_en.pdf

⁵ World Bank Data 2016. <https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.ZS>

⁶ Government of Pakistan. 2019. *Ehsaas Policy Statement*. Islamabad (<http://pmo.gov.pk/documents/Ehsaas-Prime-Ministers-Policy-Statement.pdf>).

mainstreaming of social protection and poverty alleviation, and for designing innovative initiatives for poverty alleviation; (ii) coordinate with relevant stakeholders across sectors at federal and provincial levels, including other ministries as well as non-government actors; (iii) administer six poverty reduction and social safety initiatives (BISP, Bait-ul-Mal, Trust for Voluntary Organizations, Pakistan Poverty Alleviation Fund, Center for Social Entrepreneurship, and Center for Rural Economy); and (iv) collect and disburse Zakat and Usher (Islamic social protection taxes) to provinces. BISP, which provides basic income support for 17% of the poorest of the country's population, is a major component of Ehsaas. As of January 2019, BISP had disbursed a cumulative total of PRs563.57 billion (or around \$3.6 billion) through unconditional cash transfers to over 5.6 million families. BISP aims to expand this coverage to an additional 7 million households (the poorest 20% of the population). The program is mainly financed by the government which has increased BISP's budget allocation to around \$1.1 billion in FY2020 (around 0.4% of GDP and half of the total social protection expenditure).⁷

Figure 1: Summary of 4 Pillars of Ehsaas Policy



Source: ADB staff summary diagram of the Ehsaas Policy

6. As highlighted in Figure 1, above, Ehsaas contains four pillars (addressing elite capture and making the government system work to create equality (pillar 1); safety nets for disadvantaged segments of the population (pillar 2); jobs and livelihoods (pillar 3); and human capital development (pillar 4) and 115 policy actions. It provides the government's overarching vision and cements its intention to address poverty and inequality in a strategic, cohesive and comprehensive way. Many of the policy actions in Ehsaas are based on ongoing programs, which allows rapid action in key areas and some demonstrated quick wins.

7. BISP supports the National Socio-Economic Registry (NSER), Kifalat, and Tahafuz programs under pillar 2, which provide cash transfers, poverty graduation programs, and a precision social safety net. BISP is also expanding its support to pillar 3, with conditional cash transfers (CCT) for education, health, and nutrition.

⁷ BISP. Budget documents and internal reports.

8. **Macroeconomic challenges.** While economic growth has been relatively fast—averaging close to 5% between 2014–2019—the government needs to address large budget and current account deficits, rising debt obligations, and falling foreign exchange reserves. Procyclical fiscal policies led to a surge in the fiscal deficit, which widened from 4.4% of GDP in FY2016 to 6.4% of GDP in FY2018, pushing public debt to 75% of GDP. Fiscal expansion, together with an accommodative monetary policy and an overvalued exchange rate, widened the current account deficit from 1.7% to 6.3% of GDP in FY2018. On 12 May 2019, a \$6 billion 39-month Extended Fund Facility (EFF) Arrangement for Pakistan was reached with the International Monetary Fund (IMF).⁸ Under the EFF, the IMF and development partners will support the government's efforts to position the economy on the path of sustainable and balanced growth and increased per capita income through a targeted fiscal consolidation program to help reduce public debt and build resilience while expanding social spending to support the most vulnerable. The EFF emphasizes the importance of BISP recognizing that fiscal consolidation will entail reductions in public expenditure programs that could have an adverse impact on the poor and most vulnerable.

9. “The forthcoming budget for FY2019/20 is a first critical step in the authorities' fiscal strategy. The budget will aim for a primary deficit of 0.6 percent of GDP supported by tax policy revenue mobilization measures to eliminate exemptions, curtail special treatments, and improve tax administration. This will be accompanied by prudent spending growth aimed at preserving essential development spending, scaling up the Benazir Income Support Program and improve targeted subsidies, with the goal of protecting the most vulnerable segments of society.”⁹

10. The proposed additional financing will help the Government of Pakistan to scale up the ongoing project to continue support to BISP. The support will (i) enable disbursement of unconditional cash transfer (UCT) payments to eligible BISP beneficiaries against the backdrop of a difficult macroeconomic situation, and (ii) further improve the institution's capacity for financial management and control, and policy research, data analytics and intervention design. This support is aligned to Ehsaas and the operational priorities of ADB's Strategy 2030 with a focus on “strengthening social protection systems and service delivery for those in need”. Strengthening of the social safety net system is included in the ADB country partnership strategy, as support for the transition from inefficient subsidy schemes to targeted cash transfer programs.¹⁰ The project is included in the country operations business plan.¹¹

B. Impact and Outcome

11. The aggregate impact and outcome for the overall project remains the same as the current project. The project is aligned with the following impact: reduced income poverty and non-income poverty for poor families in Pakistan, which is from the government's 2007 National Social Protection Strategy.¹² The project will have the following outcome: increased resilience of BISP female beneficiaries and their families.

⁸ IMF. 2019. *Request for an Extended Arrangement Under the Extended Fund Facility Staff Report*. Washington, D.C.

⁹ IMF. Press Release No.19/157. <https://www.imf.org/en/News/Articles/2019/05/12/pr19157-IMF-Reaches-Staff-Level-Agreement-on-Economic-Policies-with-Pakistan-for-a-Three-Year-EFF> (accessed 12 May 2019).

¹⁰ ADB. 2009. *Country Partnership Strategy: Pakistan, 2009–2013*. Manila.

¹¹ ADB. 2013. *Country Operations Business Plan: Pakistan, 2013–2014*. Manila.

¹² Government of Pakistan, Planning Commission. 2007. *A Social Protection Strategy to Reach the Poor and the Vulnerable*. Islamabad.

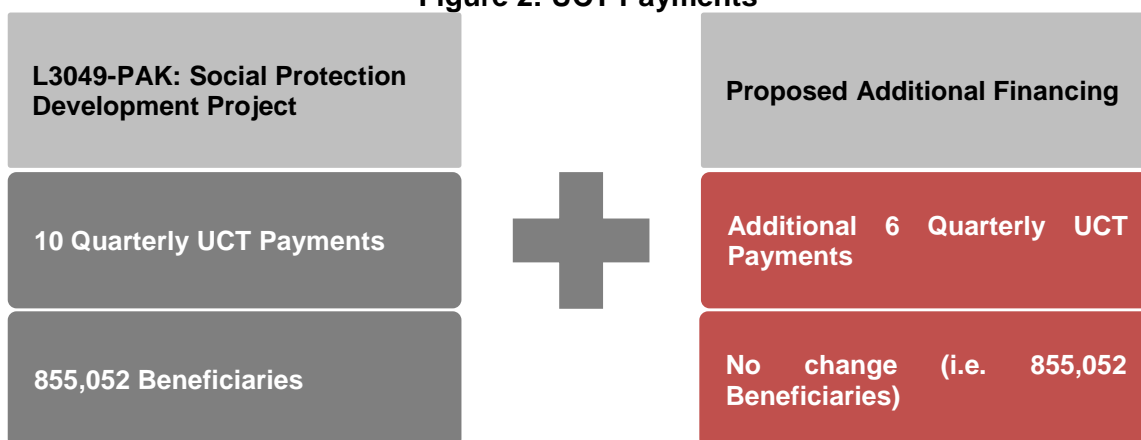
C. Outputs

12. The proposed additional financing will provide a financial cushion to the population that is below the poverty line and is vulnerable to economic shocks, by scaling up unconditional cash transfers (output 1). The proposed project also provides support to BISP to help design CCT modalities that can directly impact the root causes of health and education (output 3). The incremental outputs will be: (i) continuation of UCT payments to eligible BISP beneficiaries identified under the initial project and newly identified eligible beneficiaries through the poverty scorecard survey held on 2016/2017 and 2019/2020, (ii) supporting further improvements in financial management and control systems to support these cash transfers, and (iii) strengthening policy research functions of BISP to support Ehsaas.

13. **Output 1: Cash transfer program coverage expanded.** The output under the ongoing loan supports the enrollment of all traceable, female headed, eligible beneficiaries. The provision of the cash transfer through the female head and linking the benefit to possession of the CNIC empowers the role of women in the family.

14. As highlighted in Figure 2, below, the additional financing will fund up to 6 additional quarters of cash transfers to the 855,052 beneficiaries enrolled under ADB's Social Protection Development Project.¹³ As the government is currently updating the NSER, there is a possibility that in future new beneficiaries will be added and others graduated depending upon their updated PMT score. No new beneficiaries are being enrolled on the basis of the old NSER survey. The additional financing will provide budgetary support to the government to fund an additional six quarters of UCT payments to the current beneficiaries identified under the ongoing project and newly identified eligible female beneficiaries through the poverty scorecard survey held on 2016/2017 and 2019/2020.

Figure 2: UCT Payments



Source: Asian Development Bank.

15. **Output 2:** The original scope of the project included the improvement and expansion of two graduation programs for health and skills development: the Waseela-e-Sehet (WES, health insurance program) and the Waseela-e-Rozgar (WER, skills development program) as Output 2. However, this was not implemented. In 2016, ADB made detailed suggestions to change the graduation component to move to income generating activities for the poor through

¹³ Currently, Rs.5,000 per beneficiary family is being paid each quarter. However, the Prime Minister has announced in March 2019 to increase it to Rs.5,500 per quarter from the July-September 2019 quarter. However, the formal instructions from Ministry of Finance are yet to be issued.

comprehensive coaching with asset transfer, and test this through a pilot. However, BISP found it insufficient to address the various facets of income poverty in scale. The Department for International Development (DFID) consultant for the BISP graduation strategy made further suggestions on a more comprehensive program for income generation to bring the poor above the poverty line, to be implemented in a phased and scale-up manner. The BISP Board's Design Committee (BDC) agreed to the proposed BISP Graduation Program (BGP) on 17 November 2017. The BISP Board in its 29th meeting held on 29 January 2018 approved BGP on the basis of the recommendation of the BDC. These programs were later replaced by the graduation program through minor change in scope on 8 December 2017. This comprehensive graduation program will be the first of the 3 phases of implementing and scaling up BISP's poverty graduation approach. The BISP Graduation Program (BGP) comprises of the following approaches towards income poverty:

- business incubation and asset transfer for self-employment of the rural poor (the Business Incubation through Self-Employment, or BISE, component); and inclusive business for sustainable income generation among the rural poor through value chains of private sector companies and social enterprises; that pay substantially above the market rate to the poor as their suppliers (the Inclusive Business, or IB, component);¹⁴
- public work programs implemented at the local level and endorsed by provinces to generate temporary employment and community assets that address climate change adaptation and environmental poverty (the Public Works, or PW, component); and
- direct cash and business coaching for start-ups of the urban poor (the Direct Cash, or DC, component). This component will be implemented through consortium from the Massachusetts Institute of Technology, Harvard and London School of Economics. The consortium has contracted Research Consultants to carry out the survey. A memorandum of understanding has been signed by all the parties concerned. This output will continue to be implemented under the Social Protection Development Project.¹⁵

16. **Output 3:** Financial management and control systems, and policy research supported. This output will help develop transparent financial management and adequate monitoring systems in the BISP. It will strengthen the financial management wing and introduce modern tools and practices in the area of budget preparation, cash forecasting, and financial reporting. It will support the internal audit wing by providing resources and training on modern internal audit tools and practices. It will strengthen the policy research unit, providing support for gender focused, evidence-based policy and planning. Under the additional financing, ADB will extend support in the following areas:

- (i) **Institutional strengthening: Addressing Error, Fraud and Corruption.** The government recognizes that institutional strengthening of BISP is critical. Based on various external reviews including the recent recommendations of the "Assessment of Error, Fraud and Corruption Controls in Pakistan BISP Cash Transfer Programmes" (footnote 13), BISP have highlighted high priority reforms that could be supported under the additional financing. The following reforms will be supported under the additional financing for the project:

¹⁴ BISE and IB have been lumped together in phase 1 and ADB is currently only supporting implementation of the phase 1.

¹⁵ In case of shortage in funds during the implementation of the BGP pilot in L3049-PAK(COL) due to exchange rate fluctuation and/or additional scope of work then the savings from the additional financing may be utilized for funding the graduation pilot

- a. working with beneficiary communities to increase their awareness of the program and ability to navigate within it to minimize leakage of funds at community level;
 - b. introduce and publicize reliable whistleblowing hotlines and social media platforms;
 - c. expand monitoring and evaluation activities to explicitly include reporting on error, fraud and corruption; and
 - d. develop a policy for obtaining repayment of money obtained by fraud or corruption—in addition to sanctions applied for offending employees, banks/agents, and beneficiaries.
 - e. develop and implement a comprehensive Risk Management Framework that strengthens financial management and improves detection of error, fraud and corruption risk.
- (ii) **Institutional strengthening: Policy research.** BISP is keen to establish a Policy Research Unit (PRU) to help it transition from its UCT-oriented approach to one that will have a greater impact on reducing intergenerational poverty in line with the Ehsaas policy. The PRU will: (i) develop a policy framework for BISP and support policy and legislation development; (ii) help monitor and improve performance of ongoing programs while developing new evidence-based initiatives to effectively address intergenerational poverty; (iii) study cost-effectiveness, financial feasibility, and scalability of new interventions; and (iv) serve as a knowledge management and data analytics hub for BISP. The government is aware that its social protection agenda will need to move beyond UCTs in order to have a significant impact on poverty reduction. The government, as part of Ehsaas, is interested in CCTs for health (including nutrition and family planning) to achieve poverty reduction through improvement in human capital.

17. Midterm project review. The midterm review of the additional financing project, scheduled for the first quarter of 2021 will assess the progress of project activities, outputs, and outcomes. The performance of outputs 3 will be reviewed in detail to determine achievement of quantitative targets indicated in the design and monitoring framework, and qualitative goals described in detail in the project administration manual.

II. IMPLEMENTATION PLANS

D. Project Readiness Activities

Ongoing Loan

Indicative Activities	Months (2013-2014)						Responsible Agency
	Aug	Sep	Oct	Nov	Dec	Jan	
Advance contracting actions ^a							
Advertising (Consulting Services Recruitment Notice)			X				EAADB
Prepare Submission 1; Send out Request for Proposal			X				EA/ADB
Prepare Submission 2					X		EA/ADB
ADB Board approval			X				ADB
Government legal opinion provided				X			GOP
Loan signing					X		EAD/ADB
Establish project implementation arrangements						X	EA/ADB
Loan effectiveness						X	EAD/ADB

ADB = Asian Development Bank, EA = executing agency, EAD = Economic Affairs Division, GOP = Government of Pakistan.

Additional Financing

Indicative Activities	Months (2019)						Responsible Agency
	Aug	Sep	Oct	Nov	Dec	Jan 2020	
Advance contracting actions ^a							
Advertising (Consulting Services Recruitment Notice)			X				EA/ADB
Prepare Submission 1; Send out Request for Proposal					X		EA/ADB
Fact-finding mission	X						
ADB Board approval			X				ADB
Government legal opinion provided				X			GOP
Loan signing				X			EAD/ADB
Establish project implementation arrangements					X		EA/ADB
Loan effectiveness					X		EAD/ADB

ADB = Asian Development Bank, EA = executing agency, EAD = Economic Affairs Division, GOP = Government of Pakistan.

^a EA may use advance contracting as part of the normal procedure if (i) ADB management approves the further processing of the project; (ii) TOR and budget for the assignment are sufficiently clear to permit consultants to submit informed expressions of interest (EOIs) and, if shortlisted, technical and financial proposals; and (iii) PPF has endorsed the project procurement plan.

[illegible]

[illegible]

[illegible]

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
• Executing agency	<p>Benazir Income Support Program (BISP). As lead agency, BISP will be:</p> <ul style="list-style-type: none"> ➤ Directly manage and supervise the implementation of the program. ➤ Responsible for the submission of withdrawal applications, retention of supporting documents, and any reporting requirements including the quarterly progress report (including the quarterly reconciliation of the cash transfer payments supported under the project, and progress against the project implementation plan), bi-annual internal audit reports for the program, annual audit reports and financial statements. ➤ Establish and oversee the project management unit. ➤ Approve the investment plan, work plans of activities, procurement and disbursement plans. ➤ Ensure compliance with ADB guidelines on procurement, use of consultants and disbursements for ongoing projects and ADB procurement Policy and Regulations for additional financing. ➤ Accountable and responsible for the management of Advance Account and the proper use of the funds.
• BISP Board	<ul style="list-style-type: none"> ➤ Provide strategic guidance on project implementation and advice on any needs for adjustments in scope.
• Project management unit (PMU)	<ul style="list-style-type: none"> ➤ Oversee and manage project implementation on a daily basis, including the procurement, recruitment of consulting services, report preparation including project performance monitoring system, disbursement activities, and arrangement of the annual audit report. ➤ Quarterly reconciliations of all payments, including those for cash-transfers.
• ADB	<ul style="list-style-type: none"> ➤ Ensure technical and financial support and oversight according to the loan agreement. ➤ Follow up on quarterly reporting. ➤ Twice annual reviews.

B. Key Persons Involved in Implementation

Executing Agency

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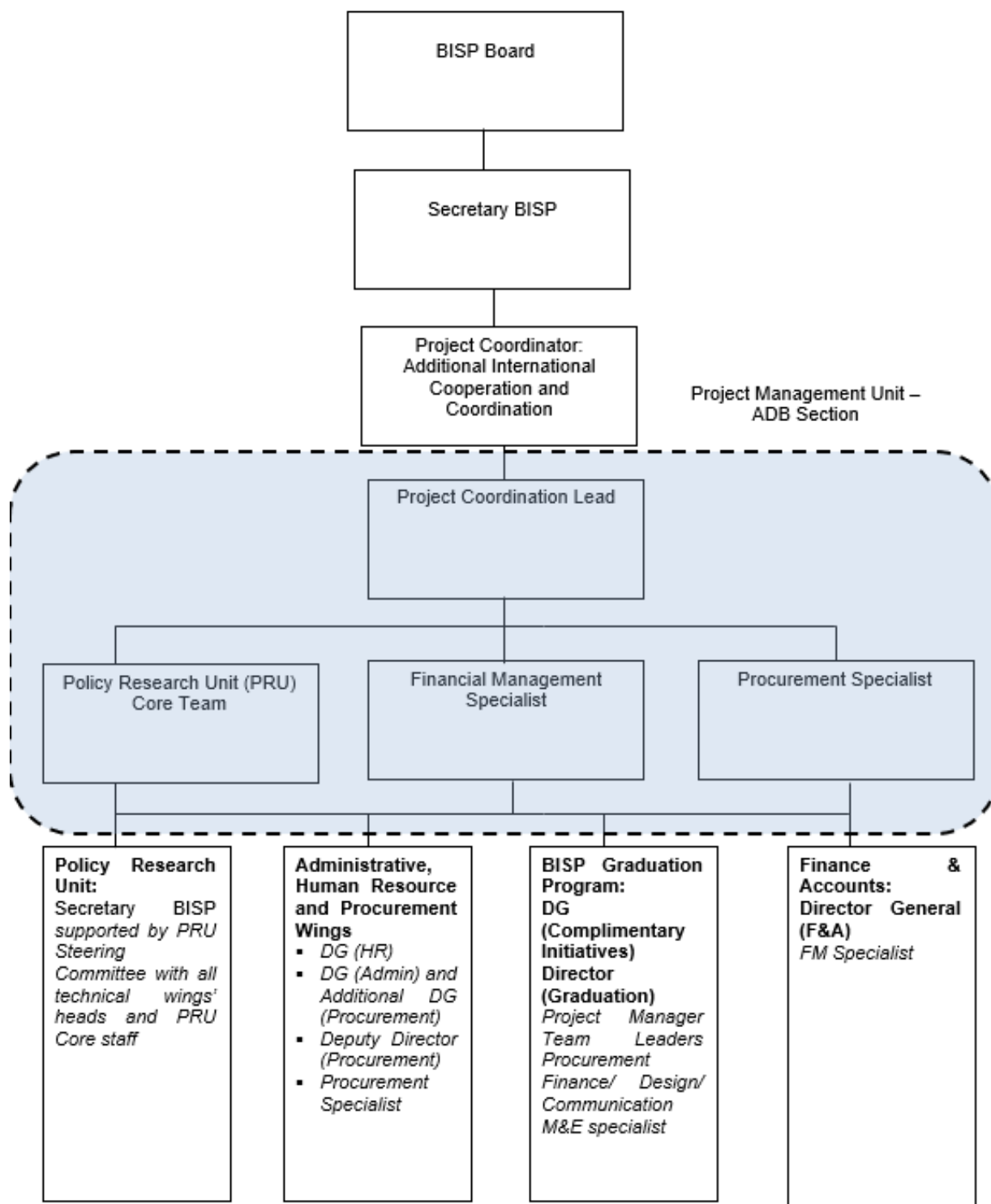
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C. Project Organization Structure



IV. COSTS AND FINANCING

18. The project is estimated to cost \$200 million. The government has requested a regular loan of dollar two hundred million (\$200,000,000) from ADB's ordinary capital resources to help finance the project. The loan will have a 25-year term, including a grace period of 15 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan and project agreements. ADB will finance \$200 million while the government will contribute an estimated \$4.5 million for payments to Banks for cash transfer processing, exemptions of taxes and duties for goods and services, and approximately \$8 million for financing charges during implementation.

Table 1: Financing Plan

Source	Current		Additional Financing		Total	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
Asian Development Bank						
OCR (regular loan)	394.5	72.7	200.0	97.8	594.5	80.0
Government ^a	148.3	27.3	4.5	2.2	152.8	20.0
Total	542.8	100.0	204.5	100.0	747.3	100.0

OCR = ordinary capital resources.

^a The overall program cost for the Benazir Income Support Program is much larger. For fiscal year 2020 (ending June), the overall program cost is budgeted at \$1.1 billion.

Source: Asian Development Bank estimates.

Table 2: Project Investment Plan
(\$million)

Item	Current Amount ^a	Additional Financing ^b	Total
A. Base Cost^c			
1. Cash transfer program expanded	342.6	170.3	512.9
2. BISP graduation program implemented	176.9	0	176.9
3. Financial management and control systems and policy research improved	0.1	6.2	6.3
Subtotal (A)	519.6	176.5	696.1
B. Contingencies ^d	0.9	16.7	17.6
C. Financing charges during implementation ^e	22.3	11.3	33.6
Total (A+B+C)	542.8	204.5	747.3

BISP = Benazir Income Support Program.

^a Includes \$137.1 million for health insurance and a skills development program and \$11.3 million for taxes, duties, and administrative expenses financed by the government.

^b Includes \$4.5 million for overhead for unconditional cash transfer payment processing, administrative expenses, office space, costs of running the BISP policy research unit, and taxes and duties financed by the government.

^c In mid-2013 prices for the current project and mid-2019 prices for additional financing.

^d Physical contingencies computed at 5% for field research and development, training, surveys, and studies. Price contingencies are determined using Asian Development Bank cost escalation factors.

^e Includes interest charges during implementation for the Asian Development Bank loan, financed by the government.

Source: Asian Development Bank estimates.

A. Detailed Cost Estimates by Expenditure Category (\$'000)**Ongoing Loan**

Item		Foreign Exchange	Local Currency (in \$ equivalent)	Total Cost	% of Total Base Cost
A.	Investment Costs				
	1. Cash Payments				
	a. Cash transfers (newly registered)	0.00	342,638	342,638	63.12%
	b. Health insurance (transport	0.00	0.00	0.00	0.00%
	c. Graduation	0.00	174,689	174,689	32.18%
	2. Performance Allocation	0.00	0.00	0.00	0.00%
	3. Consulting Services	0.00	1,656	1,656	0.31%
	4. Training	0.00	0.00	0.00	0.00%
	5. Project Management Support	0.00	76	76	0.01%
	6. Equipment	0.00	586	586	0.11%
	Subtotal (A)	0.00	519,645	519,645	95.73%
B.	Contingencies				0.00%
	1.0 Price	0.00	138	138	0.03%
	Subtotal (B)	0.00	138	138	0.03%
C.	Interest Charges	22,317	0.00	22,317	4.11%
D.	Unallocated - Advance Account	729	0.00	729	0.13%
Total Project Cost (A+B+C+D)		23,046	519,783	542,829	100.00%

Source: Asian Development Bank staff estimates.

B. Detailed Cost Estimates by Expenditure Category (\$'000)

Additional Financing					
Item	Foreign Exchange	Local Currency (in \$ equivalent)	Total Cost	% of Total Base Cost	
A. Investment Costs					
1. Cash Payments	0.00	170,269	170,269	83.27%	
2. Consulting Services	0.00	5,920	5,920	2.90%	
3. Project Management Support	0.00	100	100	0.05%	
4. Equipment	0.00	200	200	0.10%	
Subtotal (A)	0.00	176,489	176,489	86.31%	
B. Contingencies					0.00%
1 Price	0.00	20,000	20,000	9.78%	
Subtotal (B)	0.00	16,700	16,700	8.17%	
C. Interest and Commitment Charges	11,300	0.00	11,300	5.53%	
Total Project Cost (A+B+C)	11,300	193,189	204,489	100.00%	

Source: Asian Development Bank staff estimates.

C. Allocation and Withdrawal of Loan Proceeds

Ongoing Loan				
Category			ADB Financing	
No	Item	Total Amount Allocated for ADB financing)	Category Subcategory	Percentage and Basis for Withdrawal from the Loan Account
1	Cash payments	\$369,026,867		
	1A Cash transfer (newly registered)		\$331,437,645	100%* of total expenditure claimed
	1B Health insurance (transport)		\$0	
	1C BISP Graduation		\$37,589,222	100%* of total expenditure claimed
2	Performance Allocation	\$0		100%* of total expenditure claimed
3	Consulting Services	\$1,656,404		100%* of total expenditure claimed
4	Training	\$0		100%* of total expenditure claimed
5	Project Management**	\$76,041		100%* of total expenditure claimed
6	Equipment	\$585,595		100%* of total expenditure claimed
7	Interest Charges	\$22,317,077		100% of amount due
8	Contingencies	\$138,264		
9	Advance Account	\$729,009		
	Total	\$394,529,257		

* Exclusive of taxes and duties imposed within the territory of the borrower.

** Project management support includes the procurement of office equipment, as well as related recurrent costs.

Source: Asian Development Bank staff estimates.

D. Allocation and Withdrawal of Loan Proceeds

Additional Financing			
Category		ADB Financing	
No	Item	Total Amount Allocated for ADB financing) Category Subcategory	Percentage and Basis for Withdrawal from the Loan Account
1	Cash payments	\$166,000,000	100%* of total expenditure claimed
2	Consultants	\$5,700,000	100%* of total expenditure claimed
3	Project Management Support	\$100,000	100%* of total expenditure claimed
4	Equipment	\$200,000	100%* of total expenditure claimed
5	Interest and Commitment charges	\$11,300,000	100% of amount due
6	Contingencies	\$16,700,000	
Total		\$200,000,000	

* Exclusive of taxes and duties imposed within the territory of the borrower.

Source: Asian Development Bank staff estimates.

E. Detailed Cost Estimates by Financier (\$'000)

<u>Ongoing Loan</u>					
Item	ADB		Government		Total Cost
	Amount	% age of Total Category Cost	Amount	% age of Total Category Cost	Amount
A. Investment Costs					
1. Cash Payments					
a. Cash transfers (newly registered)	331,438	97%	11,200	3%	342,638
b. Health insurance (transport)	0.00	0%	0.00	0%	0.00
c. Graduation	37,589	22%	137,100	78%	174,689
2. Performance Allocation	0.00	0%	0.00	0%	0.00
3. Consulting Services	1,656	100%	0.00	0%	1,656
4. Training	0.00	0%	0.00	0%	0.00
5. Project Management Support	76	100%	0.00	0%	76
6. Equipment	586	100%	0.00	0%	586
Subtotal (A)	371,345	71%	148,300	29%	519,645
B. Contingencies					0.00
1 Price	138	100%	0.00	0%	138
Subtotal (B)	138	100%	0.00	0%	138
C. Interest Charges	22,317	100%	0.00	0%	22,317
D. Unallocated - Advance Account	729	100%	0.00	0%	729
Total Project Cost (A+B+C+D)	394,529	73%	148,300	27%	542,829

Source: Asian Development Bank staff estimates.

F. Detailed Cost Estimates by Financier (\$'000)

<u>Additional Financing</u>					
Item	ADB		Government		Total Cost
	Amount	% age of Total Category Cost	Amount	% age of Total Category Cost	Amount
A. Investment Costs					
1. Cash Payments	166,000	97%	4,269	3%	170,269
2. Consulting Services	5,700	96%	220	4%	5,920
3. Project Management Support	100	100%	0.00	0%	100
4. Equipment	200	100%	0.00	0%	200
Subtotal (A)	172,000	97%	4,489	3%	176,489
B. Contingencies					
1 Price	16,700	100%	0.00	0%	16,700
Subtotal (B)	16,700	100%	0.00	0%	16,700
C. Interest and Commitment Charges	11,300	100%	0.00	0%	11,300
Total Project Cost (A+B+C)	200,000	98%	4,489	2%	204,489

Source: Asian Development Bank staff estimates.

G. Detailed Cost Estimates by Outputs/Components (\$'000)**Ongoing Loan**

Item	Total Cost	Output 1	Output 2	Output 3
A. Investment Costs				
1. Cash Payments				
a. Cash transfers (newly registered)	342,638	342,638	0.00	0.00
b. Health insurance (transport	0.00	0.00	0.00	0.00
c. Graduation	174,689	0.00	174,689	0.00
2. Performance Allocation	0.00	0.00	0.00	0.00
3. Consulting Services	1,656	0.00	1,557	99
4. Training	0.00	0.00	0.00	0.00
5. Project Management Support	76	0.00	76	0.00
6. Equipment	586	0.00	586	0.00
Subtotal (A)	519,645	342,638	176,908	99
B. Contingencies				
1. Price	138	38	100	0.00
Subtotal (B)	138	38	100	0.00
C. Interest Charges	22,317	14,715	7,598	4
D. Unallocated - Advance Account	729	481	248	0.1
Total Project Cost (A+B+C+D)	542,829	357,872	184,854	103.3

Source: Asian Development Bank staff estimates.

H. Detailed Cost Estimates by Outputs/Components (\$'000)

Additional Financing

Item		Total Cost	Output 1	Output 2	Output 3
A.	Investment Costs				
	1. Cash Payments	170,269	170,269	0.00	0.00
	2. Consulting Services	5,920	0.00	0.00	5,920
	3. Project Management Support	100	0.00	0.00	100
	4. Equipment	200	0.00	0.00	200
	Subtotal (A)	176,489	170,269	0.00	6,220
B.	Contingencies				
	1.0 Price	16,700	16,111	0.00	589
	Subtotal (B)	16,700	16,111	0.00	589
C.	Interest and Commitment Charges	11,300	10,902	0.00	398
Total Project Cost (A+B+C)		204,489	197,282	0.00	7,207

Source: Asian Development Bank staff estimates.

I. Detailed Cost Estimates by Year (\$'000)

Ongoing Loan

Item	Total Cost	2014	2015	2016	2017	2018	2019	2020	2021	2022
A. Investment Costs										
1. Cash Payments										
a. Cash transfers (newly registered)	342,638	18,784	56,271	164,819	71,092	14,499	16,088	1,081	3.00	0.00
b. Health insurance (transport	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c. Graduation	174,689	0.00	0.00	0.00	0.00	0.00	58,092	98,969	11,618	6,009
2. Performance Allocation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Consulting Services	1,656	0.00	15	0.00	9.1	0.00	140	977	327	188
4. Training	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Project Management Support	76	0.00	0.05	0.00	26.4	0.00	0.00	16.6	16.6	16.6
6. Equipment	585.6	0.00	0.00	0.00	0.00	0.00	0.00	415	171	0.00
Subtotal (A)	519,645	18,784	56,287	164,819	71,128	14,499	74,320	101,459	12,135	6,214
B. Contingencies										
1 Price	138	0.00	0.00	0.00	0.00	0.00	0.00	117	14.00	7.00
Subtotal (B)	138	0.00	0.00	0.00	0.00	0.00	0.00	117	14.00	7.00
C. Interest Charges	22,317	0.00	959	1,989	4,203	6,804	7,346	1,016	0.00	0.00
D. Unallocated - Advance Account	729	0.00	0.00	0.00	0.00	0.00	279.00	381.00	46.00	23.00
Total Project Cost (A+B+C+D)	542,829	18,784	57,246	166,808	75,331	21,303	81,946	102,973	12,195	6,244

Source: Asian Development Bank staff estimates.

J. Detailed Cost Estimates by Year (\$'000)**Additional Financing**

Item	Total Cost	2019	2020	2021	2022
A. Investment Costs					
1. Cash Payments	170,269	41,053	108,501	20,714	0.00
2. Consulting Services	5,920	0.00	1,824	2,624	1,472
3. Project Management Support	100	0.00	0.00	100	0.00
4. Equipment	200	0.00	100	100	0.00
Subtotal (A)	176,489	41,053	110,425	23,538	1,472
B. Contingencies					
1 Price	16,700	835	1,169	1,336	13,360
Subtotal (B)	16,700	835	1,169	1,336	13,360
C. Interest and Commitment Charges	11,300	0.00	2,100	4,400	4,800
Total Project Cost (A+B+C)	204,489	41,888	113,694	29,274	19,632

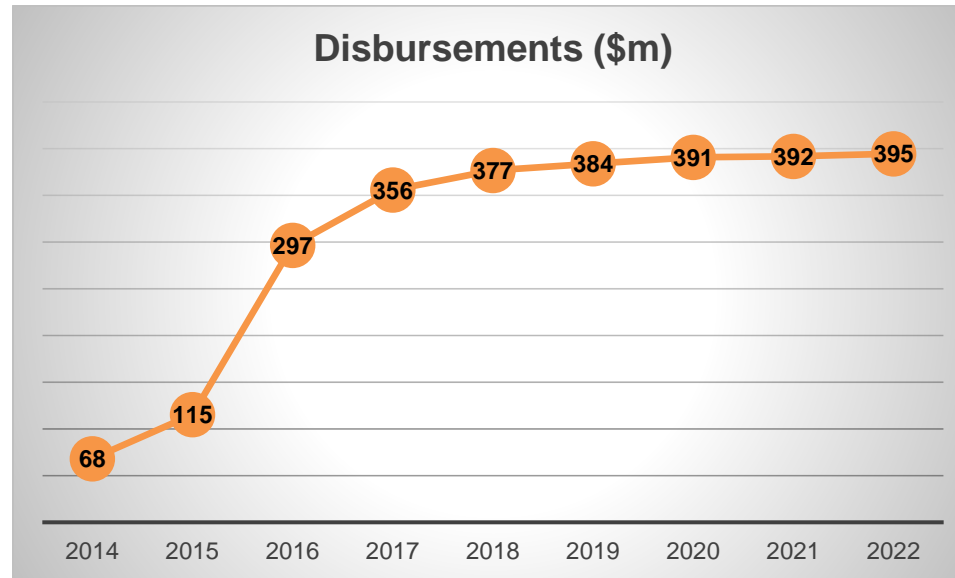
Source: Asian Development Bank staff estimates.

K. Contract and Disbursement S-Curve

Ongoing Loan



	Contract Awards (in USD million)				
Year	Q1	Q2	Q3	Q4	Total
2014	0.00	0.00	0.00	20.98	20.98
2015	0.00	0.06	35.39	24.30	59.75
2016	0.00	0.00	0.00	151.42	151.42
2017	0.00	0.00	44.93	25.37	70.30
2018	0.00	0.00	0.00	14.02	14.02
2019	9.50	0.00	4.45	12.50	26.45
2020	2.10	0.00	10.16	10.50	22.76
2021	0.06	0.00	6.52	0.00	6.58
2022	0.00	0.00	0.00	0.00	0.00
	Total Contract Awards				372.27

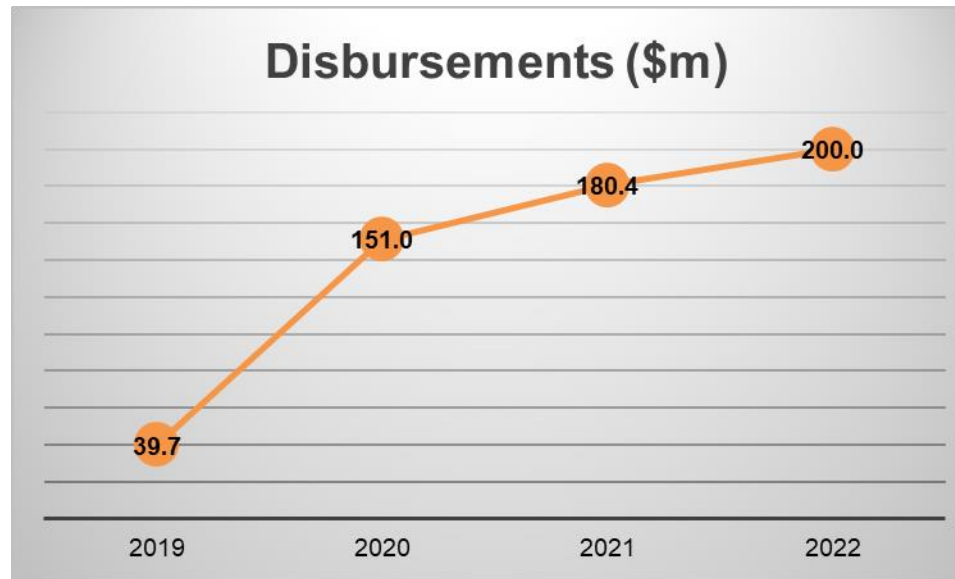


	Disbursements (in USD million)				
Year	Q1	Q2	Q3	Q4	Total
2014	0.00	0.00	50.01	18.17	68.18
2015	0.31	0.00	17.73	29.08	47.12
2016	6.62	0.00	1.17	173.64	181.43
2017	1.23	0.00	11.29	46.56	59.08
2018	3.16	0.00	3.64	14.02	20.83
2019	3.64	0.00	3.64	0.00	7.29
2020	1.50	0.00	0.00	5.25	6.75
2021	0.06	0.00	1.27	0.00	1.33
2022	2.61	0.00	0.00	0.00	2.61
	Total Disbursements				394.62

Additional Financing



	Contract Awards (in USD million)				
Year/Quarter	Q1	Q2	Q3	Q4	Total
2019	0.00	0.00	0.00	39.68	39.68
2020	30.64	29.42	33.72	15.44	109.22
2021	23.43	0.20	0.00	1.34	24.96
2022	1.47	13.36	0.00	0.00	14.83
	Total Contract Award				188.70

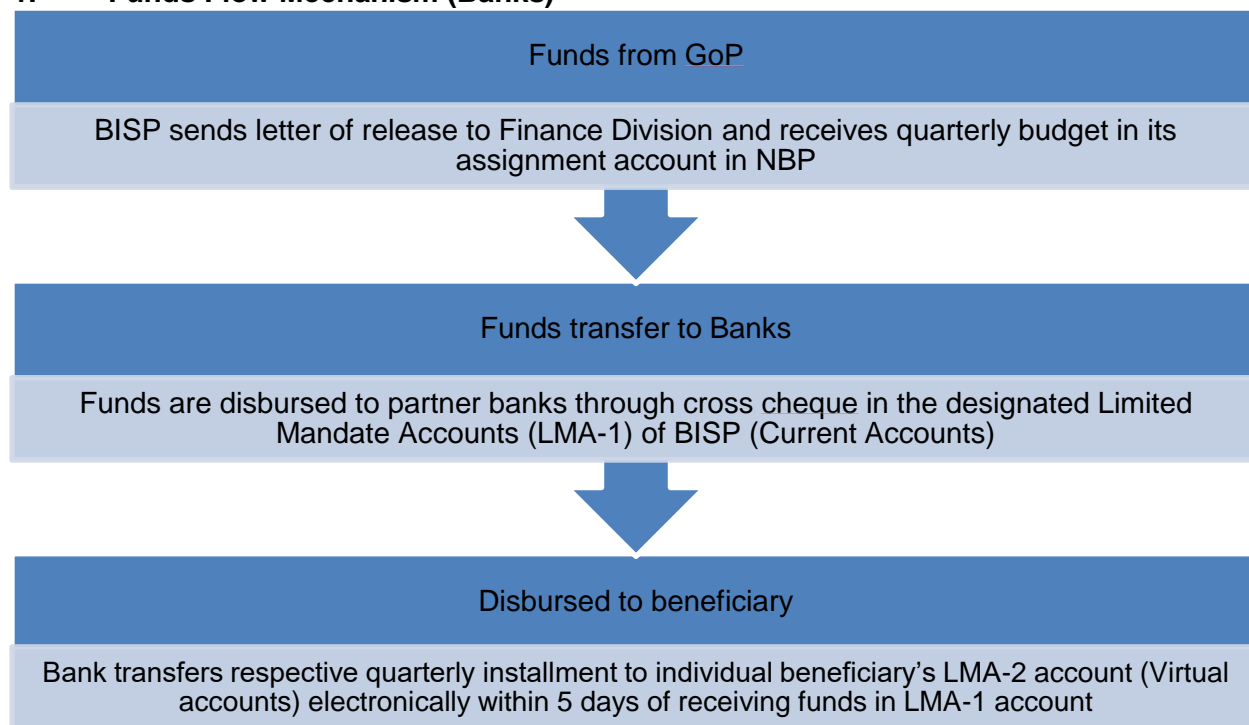


	Disbursements (in USD million)				
Year/Quarter	Q1	Q2	Q3	Q4	Total
2019	0.00	0.00	0.00	39.68	39.68
2020	29.86	29.42	34.77	17.26	111.32
2021	23.00	0.20	2.20	3.96	29.36
2022	3.87	13.36	2.40	0.00	19.63
	Total Disbursements				200.00

L. Fund Flow Diagram

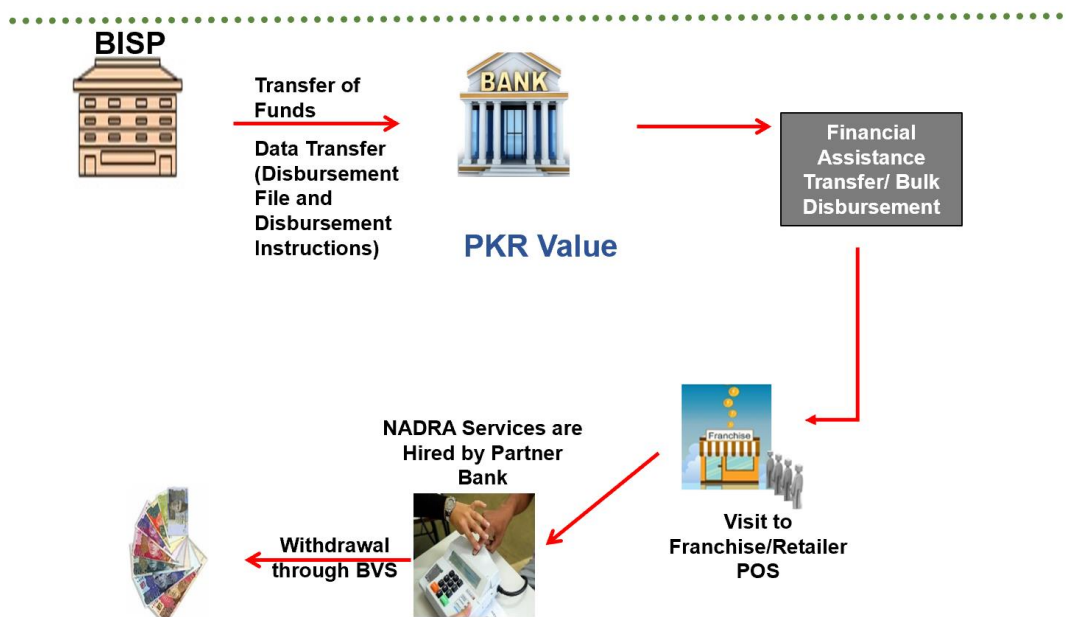
19. In the initial phase, BISP used Pakistan Post as a primary source for UCTs across Pakistan. Since 2010, BISP employed technology based Alternate Payment Mechanisms (APM) in the form of Benazir Smart Card, Mobile Phone Banking, Benazir Debit Cards (BDC) and Biometric Verification System (BVS) through hiring of six partner banks. Currently, around 86% of the beneficiaries are being paid through BVS mode of payment, around 12.5 % are being paid through BDC mode while remaining 1.5% are being paid through Pakistan Post money order system. In accordance with “Benazir Income Support Programme Payment Regulations, 2018” for UCT, Cash Transfer Wing of BISP will finalize the Payment Parameters for periodic UCT payment to eligible persons with the approval of the Secretary. MIS Wing of BISP will generate and certify the Payment data using the approved payment parameters. Cash Transfer Wing will calculate payable funds (Bank or Pakistan Post wise) as per Payment data generated by MIS Wing. Cash Transfer Wing will forward the financial proposal as well as Payment data to Finance and Accounts Wing of BISP for Payment Verification and Assurance, in accordance with Section 71 of Benazir Income Support Programme Financial Regulations, 2017. Payment verification and assurance will be done using the same Payment Parameters independently by Finance and Accounts Wing for pre-audit purposes. Payment data will only be finalized once due diligence is complete and verified by Finance and Accounts Wing. The discrepancies pointed out by Finance and Accounts Wing will be removed by Cash Transfer and MIS Wings of BISP. Finance and Accounts Wing will seek financial approval from the Secretary.

1. Funds Flow Mechanism (Banks)



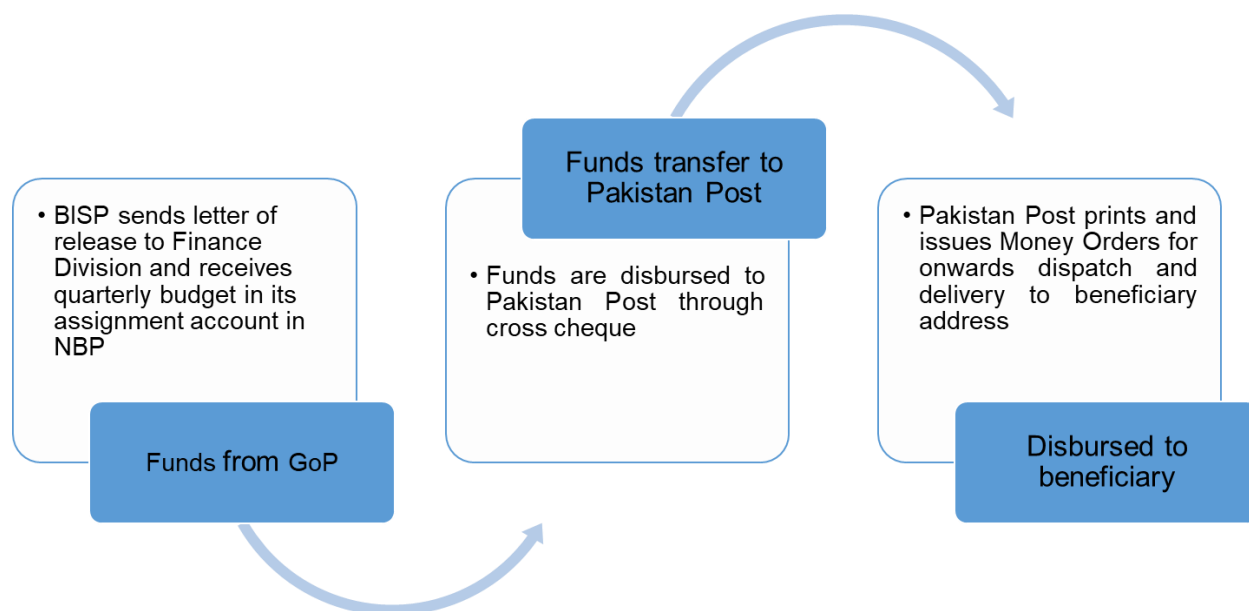
Source: Benazir Income Support Programme

2. Disbursement of Funds through BVS



Source: Benazir Income Support Programme

3. Funds Flow Mechanism (Pakistan Post)



Source: Benazir Income Support Programme

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

20. **Background and General Assessment.** The financial management assessment (FMA) was conducted in July 2019 in accordance with ADB's Financial Management Technical Guidance Note and the Financial Due Diligence: A Methodology Note.¹⁶ The FMA considered the capacity of BISP, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. Based on the assessment, the key financial management risks identified are in Table 3. It is concluded that the overall pre-mitigation financial management risk of BISP is *substantial*.

21. The external audit arrangements are yet to be institutionalized to provide an effective and sustainable assurance mechanism. Independent audits for the FYs June 30, 2017 and June 30, 2018 were substantially delayed for a period ranging up to 2 years. Appointment of external auditors for the FY 2019 is in progress. BISP aims at completing the auditor hiring process within second half of October 2019, depicting imminent possibility that the external audit for the FY 2019 might be delayed. While the Independent Auditors have expressed unqualified audit opinion on the financial statements of BISP for the FYs 2017 and 2018, the Independent Auditors have highlighted key control issues in the management of data, funds and disbursements to beneficiaries which constituted 92% of the total annual expenditure during the FY ended June 30, 2018 (2017: 93%). In addition, an important governance component is the presence of a second director. This can help the Internal Audit department ensure adequate coverage of geographical spread and scope of operations. As the management contends undertaking initiatives towards strengthening the governance and financial management functions, and duly considering the substantial delay or failure in addressing certain issues highlighted in the Financial Management Action Plan, it is imperative to closely monitor BISP's progress through a mutually agreed result oriented and timebound financial management action plan, adequately covering action areas identified as a result of previous financial management assessment activity. The use of advance fund and Statement of Expenditures (SOE) procedures are proposed. The BISP has adequate capacity to manage advance fund and SOE procedures although some improvements and capacity building will be needed.

22. **Financial Management Risk Level Pre-Mitigation is *Substantial*.** A financial management internal control and risk management assessment was conducted, while considering the adequate implementation capacity of BISP. Factors of staffing, internal and external audit, accounting procedures, budgeting, country systems and autonomous nature of BISP were also considered. Based on the assessment, it is concluded that the overall project financial management pre-mitigation risk is *substantial*. BISP is still in the process of finalizing the service level agreement with banks through competitive process, cash transfer manuals are not yet approved by Board, most of the staff in Finance and Audit department are still on deputation and some audit observations raised by the Auditor General of Pakistan are pending settlement at Public Accounts Committee. In addition, the management letter for the FY2018 audited financial statements have raised six internal control and operational matters, some that are longstanding, that BISP needs to address. Key risk areas (including risks highlighted in the FY2018 management letter) and mitigating measures are provided below. It is anticipated that the implementation of the mitigating measures with the approval of the board of directors with

¹⁶ The FMA has been updated following receipt of FY2017 and FY2018 audited BISP financial statements and management letter.

regular progress updates submitted to the board that will strengthen BISP's financial management system.

Table 3: Summary of Risks and Mitigating Measures

Inherent Risks			
Risk	RA*	Risk	Risk Mitigation Measures
Country Specific Risks	H	(i) Risk of Corruption in Public Sector Entities is considered significant in Pakistan.	(i) At the country level, Pakistan's National Accountability Bureau and the Auditor General of Pakistan are the highest anticorruption agencies in the country led by Constitutionally-appointed Heads of Organization. They are is tasked with investigating allegations and incidences of fraud and corruption.
Entity Specific Risks	M	<p>(i) Significant Delays in release of the funds by Federal Government.</p> <p>(ii) Delinquencies in external audit process, significant detection risk, and limited beneficiary awareness of EFC risks and controls.</p> <p>(iii) Budget Scrutiny Committee is not constituted as required under Financial Regulations.</p>	<p>(i) With the creation of Social Safety and Poverty Alleviation Division, the release of fund can be expedited through development of a proper mechanism with Finance Division in line with Financial Regulations</p> <p>(ii) Not later than 6 months after loan effectiveness date, BISP shall develop and implement a comprehensive and dynamic Risk Management Framework that integrates a consistent monitoring and reporting mechanism with the feedback generated by the various governance, accountability and monitoring organs of the organization.</p> <p>(iii) Principal Accounting Officer and Director General (F&A) to constitute the Budget Scrutiny Committee.</p>

Overall Inherent Risks – Substantial			
Control Risks			
Executing Agencies	H	(i) BISP has not yet implemented an integrated Enterprises Resource System (ERP).	(i) Based on approved technical feasibility study, MIS wing under guidance from Board of Directors to develop the integrated solution.
Fund Flow Mechanisms	M	<p>(i) Current service level agreements with banks are not finalized through competitive process. These agreements are being renewed by banks on short term basis until the finalization of hiring process through competitive bidding.</p> <p>(ii) BISP is still using the services of Pakistan Postal Services to remit the funds to beneficiaries in far flung areas through money order. There are chances of misuse of funds and delays in reconciliation.</p> <p>(iii) Cash Transfer manual (conditionals and unconditional) are not yet approved by Board.</p> <p>(iv) The service level agreement with NADRA does not cover the backups and disaster recovery plan.</p>	<p>(i) BISP to finalize the service level agreements with bank/s on long term basis through competitive process.</p> <p>(ii) BISP to engage the services of more commercial banks with sound rating and expertise in this field by following the competitive bidding process.</p> <p>(iii) BISP Board to approve the cash transfer manuals</p> <p>(iv) Agreement to be amended with NADRA to include the provision of backups and disaster recovery plans.</p>
Staffing and Organization	H	(i) Most of the staff hired on key positions in Finance and Audit Department are on deputation, and (ii) key position of a second Director of Internal Audit remained vacant for a long time but has been recently filled	(i) BISP to develop its own regulations, policies and manuals to hire BISP staff (as regular employees) and ensure that all the key positions are filled.
Accounting Policies and Procedures	M	(i) BISP is following cash basis of accounting system	(i) BISP to develop a roadmap to migrate from cash basis to accrual basis of accounting system within 12 months after loan effectiveness.
External and Internal Audit	H	<p>(i) Audit findings raised by the Auditor General of Pakistan are not settled in a timely manner.</p> <p>(ii) The external audit arrangements are yet to be institutionalized to provide an effective and sustainable assurance mechanism. Independent audits for the FYs June 30, 2017 and June 30, 2018 were substantially delayed.</p>	<p>(i) Internal audit department to improve coordination with Government Auditors to expedite the settlement process and suggest appropriate actions to audit committee in case of finding involving embezzlement, fraud and corruption etc.</p> <p>(ii) Office of Finance and Internal Department to identify relevant laws and regulations that allow for the appointment of external auditors over a suitable period ensuring timely availability of external audit arrangements.</p>

			(iii) BISP to hire audit firm with vast experience and high ratings for next 3 years.
Reporting and Monitoring	M	<p>(i) The aggregation and reconciliation process in preparing financial reports is thorough, but takes up to three months which limits the value of reporting to monitor budget performance.</p> <p>(ii) Variances in quarter-wise number of beneficiaries identified and no reconciliations made. This may lead to inappropriate payments.</p> <p>(iii) The capacity of the F&A wing to verify the MIS generated payment data is limited and may result in inaccurate payments.</p>	<p>(i) Finance and Accounting Department to ensure timely reconciliations.</p> <p>(ii) Variances in quarter-wise payments should be documented, analyzed and authorized by BISP Management.</p> <p>(iii) Rigorous Payment Verification Interface (PVI) to be developed for accurate and timely verification and reconciliation.</p>
Information System	H	(i) Regular Information System audit need to be conducted, (ii) Agreement with NARDA does not include the frequency of backups and disaster recovery plan, (iii) There is no approved IT policy.	(i) Board to approve the IT policy including to conduct the information system audit on periodic basis and the, amendment in NADRA agreement.
Overall Control Risk			High
Overall Combined Risk			Substantial

L = low, M = moderate, H = high,
Source: Asian Development Bank.

Table 4: Time Bound Action Plan

Risk	Mitigation Measure	Responsibility	Time Frame (From loan effectiveness)
Country Risk	BISP shall develop and implement a comprehensive and dynamic Risk Management Framework that integrates a consistent monitoring and reporting mechanism with the feedback generated by the various governance, accountability and monitoring organs of the organization.	DG (Internal Audit) and ADG (M&E)	Within six Months

Entity Specific	With the creation of Social Safety and Poverty Alleviation Division, the release of fund can be expedited through development of a proper mechanism with Finance Division in line with Financial Regulations	Finance Division, Social Safety and Poverty Alleviation Division	Within one year
	Principal Accounting Officer and Director General (F&A) to constitute the Budget Scrutiny Committee.	Principal Accounting Officer	Within six months
Executing Agency	Based on approved technical feasibility study, MIS wing under guidance from Board of Directors to develop a road map for the integrated solution.	DG (F&A), DG (Cash Transfer), DG (Internal Audit) and DG (MIS)	Within one year
Funds Flow	(i) BISP to finalize the service level agreements with bank on long terms basis through competitive process.	DG (Cash Transfers)	Within six months
	(ii) BISP to engage the services of commercial banks with sound rating and expertise in this field by following the competitive bidding process.	DG (Cash Transfers)	Within six months
	(iii) BISP Board to approve the cash transfer manuals.	DG (Cash Transfers) and ADG(CCT)	Within six months
	(iv) Agreement to be amended with NADRA to include the provision of backups and disaster recovery plans.	DG(MIS)	Within six months
Staffing	(i) BISP to conduct a study to identify the needs for recruitment of BISP's regular employees for all key positions.	DG (Human Resources)	Within one year
	(ii) BISP to recruit regular employees for all key positions prioritizing F&A and internal audit staff.	DG (Human Resources)	Within two years
Accounting Policies	BISP to develop a roadmap to migrate from cash basis to accrual basis of accounting system.	DG (F&A)	Within one year
External and Internal Audit	(i) Internal audit department to improve coordination with Government Auditors to expedite the settlement process and suggest appropriate actions to audit committee in case of finding involving embezzlement, fraud and corruption etc.	DG (IA)	Within six months
	(ii) Office of Finance and Internal Department to identify relevant laws and regulations that allow for the appointment of external auditors over a suitable period ensuring timely	Audit Committee of Board and DG (IA)	Corresponding with next year audit

	availability of external audit arrangements. (iii) BISP to hire audit firm with vast experience and high ratings for next 3 years.	Director General (IA)	Within three months
Reporting and Monitoring	Finance and Accounting Department to ensure timely reconciliations. Variances in quarter-wise payments should be documented and approved by BISP Management.	DG (F & A) and DG (IA)	Within six months Within six months
Information System	Board to approve the IT policy including to conduct the regular information system audit on periodic basis and the, amendment in NADRA agreement.	DG (MIS)	Within one year

Source: Asian Development Bank.

B. Disbursement

23. The loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time) and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available at <http://wpgr4.adb.org/disbursementtelearning>. Project staff are encouraged to avail of this training to help ensure efficient disbursements and fiduciary control.

24. **Advance fund procedure.** BISP will establish a separate advance account for the additional financing promptly after loan effectiveness at National Bank of Pakistan. The currency of the advance account is the US dollar. The advance account is to be used exclusively for the ADB's share of eligible expenditures. BISP administers the advance account is accountable and responsible for proper use of advances to the advance account. BISP will submit liquidation documents for the Advance Account to ADB no less frequent than once every 6 months per calendar year.

25. The total outstanding advance to the advance account should not exceed the estimate of ADB's share of expenditures to be paid through the advance account for the forthcoming 6 months. The BISP may request for initial and additional advances to the advance account based on an Estimate of Expenditure setting out the estimated expenditures to be financed through the account{s} for the forthcoming 6 months. Supporting documents should be submitted to ADB or retained by BISP in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time) when liquidating or replenishing the advance account.

26. **Statement of expenditure procedure.** The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the advance account. The ceiling of the SOE procedure is the equivalent of \$100,000 per individual payment. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's

request for submission of supporting documents on a sampling basis, and for independent audit. Reimbursement and liquidation of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

27. Before the submission of the first withdrawal application (WA), the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per WA is stipulated in the Loan Disbursement Handbook (2017, as amended from time to time). Individual payments below such amount should be paid (i) by the PMU-BISP and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure, unless otherwise accepted by ADB. The borrower should ensure sufficient category and contract balances before requesting disbursements. Use of ADB's Client Portal for Disbursements (CPD) system is encouraged for online submission of withdrawal applications to ADB.

28. Direct payment procedure is generally be used for civil works, consulting services subject to minimum value per withdrawal application and the contractors and consultants will submit their invoices or interim payment certificates as appropriate to PMU-BISP who will send the required withdrawal applications to ADB. PMU-BISP will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications to ADB. Commitment Procedures may also be used in case of imports.

C. Accounting

29. BISP will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. The BISP will prepare project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

30. BISP Currently is preparing financial statements on cash basis system of accounting. The existing system will not ensure in the long run the strengthening of the financial management system and effective safeguard of BISP assets.

D. Auditing

31. **Auditing and Public Disclosure:** BISP will cause the project financial statements to be audited in accordance with International Standards on Auditing, by an independent auditor acceptable to ADB. The audited project financial statements (APFS) together with the auditor's opinion will be presented in the English language to ADB within 6 months from the end of the fiscal year by BISP. A separate audited project financial statement should be submitted for this project and cannot be combined with original project.

32. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the loan were used only for the purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

33. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor. The EAD and BISP have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.

34. ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

35. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Access to Information Policy 2019. After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.

36. **Internal Audit:** Most of the internal audit department staff are on deputation from the Auditor General of Pakistan's department. They are not well conversant with audit of systems. A key position of Director Internal Audit is lying vacant since long that is putting extra burden on other personnel. Non-hiring of key internal audit staff leads to compromising the quality of internal audit, which means a lack of assurance to BISP management that the FM system and processes are effective and adequate. Similarly, audit observations¹⁷ (paras) raised by Office of Auditor General of Pakistan are pending for clearance since long either at Public Accounts Committee / Department Accounts Committee (DAC).

37. The external audit of entity conducted by firm of Chartered Accountant is delayed by two years. Financial statements communicate crucial information about the financial health of the organization. Financial statements must be made available to stakeholders in time so that they can use the information reported therein to make important decisions. No matter how informative or well-prepared, the value of a financial report depreciates if it is not made available in time for users to make informed decisions. Therefore, the usefulness of published corporate financial statements depends on their timeliness as well as their accuracy. The delay of two years indicates deficiency in the overall financial management. This undermines the purpose of external audit in terms of the credibility of the financial statements and the accountability of BISP in its role as EA.

38. **Staffing:** The finance/accounting and audit staff of BISP is hired on deputation from other departments. After completion of three years, they are transferred to other departments. After the transfer of trained staff, they are replaced with new one that sometime lack knowledge and experience of the FM requirements and procedures of externally funded projects, including ADB projects. In other cases, BISP has hired the consultants through donors' technical assistance support as a temporary arrangement which puts the financial management and audit system at risk.

39. **Financial Analysis:** The project has no revenue earning component, hence financial cost-benefits were not analyzed. The financial sustainability of the project was assessed at the fiscal

¹⁷ The audit reports from office of Auditor General of Pakistan and the nature of audit observations / Paras that are yet to be cleared at the level of PAC were not received from BISP.

and project level. An analysis of recent and projected government expenditures was undertaken to evaluate the potential impact of the project on the budget of BISP. The Finance Division, will contribute counterpart funding and shoulder the project's operation and maintenance costs. The government's annual allocation for BISP is Rs 180 billion which is around 0.46% of GDP.

E. Conclusion and Recommendation

40. Due to continued support from government as counterpart funding, the overall financial position of BISP is satisfactory and adequately covers all the operational expenditures. Since 2013, government is persistently financing around 90% of the expenditures despite the fact that the tax revenue targets are revised downward almost every year. The share of the allocation to BISP as percentage of GDP has increased from 0.28% during FY 2013-2014 to 0.46 % during FY 2019-2020, whereas the share of untargeted subsidies has decreased from 0.96% during FY 2013-2014 to 0.69 % during FY 2019-2020. This indicates government commitment to shift its budgetary resources from untargeted subsidies to the targeted subsidies. However, BISP needs to strengthen its financial management capacity, budgetary control systems, IT audit, finalization of contracts with banks, which is also a structural benchmark¹⁸ under recently approved IMF Extended Fund Facility.¹⁹

VI. PROCUREMENT AND CONSULTING SERVICES

Ongoing Loan

41. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines* (February 2013, as amended from time to time)²⁰ and ADB's *guidelines on the Use of Consultants* (2013, as amended from time to time).²¹

42. Shopping will be used for contracts for procurement of equipment worth less than \$100,000.

43. An 18-month Procurement Plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

44. All Consultants and nongovernment organizations (NGOs) will be recruited according to ADB's Guidelines on the Use of Consultants.²² The Terms of Reference for all consulting services are detailed in Section D.

Additional Financing

45. **Procurement Scope.** Out of the total additional financing cost of \$200 million, around \$165 million will be used for unconditional cash transfers (UCT). About \$6 million is envisaged to be spent on procurement of consulting services and small amount is allocated for goods (office furniture and fixtures). No civil work procurement is required.

¹⁸ To be achieved by October 2019.

¹⁹ Approved by IMF Executive Board on 3 July 2019.

²⁰ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

²¹ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

²² Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

46. Based on Strategic Procurement Plan and risk assessment, the overall procurement management risk is classified moderate. Inclusion of additional procurement resources (1 BISP staff and two procurement experts) in the project implementation unit (PIU) team will ensure timely completion of procurement activities on the ongoing as well as under the additional financing. At the time of Strategic Procurement Planning, it was not possible to have meaningful discussion in choosing appropriate bid packaging, bidding procedures, bid documents and contract modalities for the research related activities. For the time being, procurement plan indicate institutes/firm will be recruited following QCBS selection method. Once scope/TOR and the cost estimates are developed by the PRU team, selection method may be changed to Direct Contracting, after seeking ADB's internal approval procedures including an option to choose non-consulting services as appropriate that meet the objectives of project without comprising on quality, efficiency, value for money and transparency. An audit firm shall be recruited for three years following Least Cost Selection (LCS) method. Contract shall be signed for one year and issue notice to proceed for year 2 and year 3, subject to satisfactory performance. Strategic Procurement Plan is attached to PAM. Alternatively, audit firm can also be recruited using non-consulting services approach. Procurement Plan shall be updated accordingly

A. Advance Contracting and Retroactive Financing

47. All advance contracting will be undertaken in conformity with ADB Procurement Policy 2017, as amended from time to time) and Procurement Regulations for ADB Borrowers, Goods, Works, Nonconsulting and Consulting Services, (2017, as amended from time to time) BISP has been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the project.

48. **Advance contracting.** Advance contracting activities are expected for recruitment of few individual consultants. Before inviting expressing of interest (EOI), EOI and Terms of Reference shall be prior reviewed by ADB.

49. **Retroactive financing.** Under UCT component an estimated amount of \$40 million is expected to be disbursed under retroactive financing which is equivalent of 20% of the total ADB loan of \$200 million. BISP and ADB will ensure that these expenditures incurred before loan effectiveness, are not more than 12 months before the signing of the loan agreement.

B. Procurement of Goods, Works, Nonconsulting and Consulting Services

50. All procurement of goods, nonconsulting and consulting services will be undertaken in accordance with ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers, Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time).

51. For supply contracts (office furniture and fixtures), BISP may use ADB sample template of request for quotations (RFQ) or any other appropriate template acceptable to ADB. Individual consultants shall be recruited following open competitive bidding (OCB), national procedures. Consulting firms shall be recruited following open competitive bidding (OCB), international/national procedures. ADB's Standard Request for Proposal (RFP) shall be used and appropriate contract template (time-based or Lumpsum) shall be used. For non-consulting services, an appropriate bid document, contract type and bidding procedures shall be used to meet project objectives.

52. For proper monitoring of each contract, contract management plan shall be prepared before contract signing by both contracting parties and enforced during its implementation.

53. A procurement plan covering entire life of the project indicating type of procurement, procurement method, bidding procedures and review requirements is included in Section C.

C. Procurement Plan

54. The procurement plan is generated through Procurement Review System (PRS).

Ongoing Loan

Basic Data

Project Name: Social Protection Development Project	
Project Number: 45233-001	Approval Number: 3049
Country: Pakistan	Executing Agency: Benazir Income Support Program
Project Financing Amount: US\$ 578,300,000 ADB Financing: US\$ 430,000,000 Cofinancing (ADB Administered): Non-ADB Financing: US\$ 148,300,000	Implementing Agency: Benazir Income Support Program
Date of First Procurement Plan: 22 April 2014	Project Closing Date: 30 June 2020
Advance Contracting: Yes	Date of this Procurement Plan: 21 March 2019, Version 5
	e-GP: No

A. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
Shopping for Goods	Up to US\$ 99,999	Minimum of 3 quotations required.

Consulting Services	
Method	Comments
Least-Cost Selection for Consulting Firm	
Quality- and Cost-Based Selection for Consulting Firm	
Quality-Based Selection for Consulting Firm	
Single Source Selection for Consulting Firm	
Individual Consultant Selection for Individual Consultant	

2. Goods and Works Contracts Estimated to Cost \$1 Million or More

The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
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3. Consulting Services Contracts Estimated to Cost \$100,000 or More

The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
2Gc	Impact Evaluation Firm (Baseline + Endline)	530,000.00	LCS	Prior	Q2 / 2019	BTP	Assignment: National Comments: noted
BISE-1	Entity for BISE Component	2,600,000.00	QCBS	Prior	Q1 / 2019	STP	Assignment: National Quality-Cost Ratio: 90:10 Comments: noted

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

The following table lists smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
2Gc	Impact Evaluation Firm (Baseline + Endline)	530,000.00	LCS	Prior	Q2 / 2019	BTP	Assignment: National Comments: noted
BISE-1	Entity for BISE Component	2,600,000.00	QCBS	Prior	Q1 / 2019	STP	Assignment: National Quality-Cost Ratio: 90:10 Comments: noted

5. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

The following table lists smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
Goods-1	IT Equipment	30,000.00	2	SHOPPING	Post		Q2 / 2019	Comments: Multiple Contracts
Goods-2	Office Administration	50,000.00	2	SHOPPING	Post		Q2 / 2019	Comments: Multiple Contracts
Goods-3	Furniture	25,000.00	2	SHOPPING	Post		Q2 / 2019	Comments: Multiple Contracts
Goods-4	Vehicles	200,000.00	2	SHOPPING	Post		Q2 / 2019	Comments: Multiple Contracts
Goods-5	Communication etc.	25,000.00	2	SHOPPING	Post		Q2 / 2019	
Goods-6	Air-conditioners	10,000.00	1	SHOPPING	Post		Q2 / 2019	Comments: Single Contract
Goods-7	Remodelling/Seating Arrangements	50,000.00	2	SHOPPING	Post		Q2 / 2019	Comments: Multiple Contracts
Goods-8	IT Equipment (Tablets for M&E Activity)	6,000.00	1	SHOPPING	Post		Q2 / 2019	Comments: Single Contract
Goods-9	Miscellaneous	10,000.00	2	SHOPPING	Post		Q2 / 2019	Comments: Multiple Contracts

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
2Ga	Audit firm	45,000.00	1	LCS	Prior	Q3 / 2018	BTP	Assignment: National Comments: FY 2017 and FY 2018
2Gb	Audit firm	45,000.00	1	LCS	Prior	Q4 / 2019	BTP	Assignment: National Comments: FY 2019 and FY 2020
PMU-A	BGP Project Manager / Team Leader	70,000.00	1	ICS	Prior	Q1 / 2019		Assignment: National Expertise: Project Management
PMU-Ba	BGP Finance and Audit Expert	45,000.00	1	ICS	Prior	Q1 / 2019		Assignment: National Expertise: Financial

								Management
PMU-Ca	BGP Administration and Procurement Expert	45,000.00	1	ICS	Prior	Q1 / 2019		Assignment: National Expertise: Admin & Procurement
PMU-D	BGP Planning, Monitoring and Reporting Expert	45,000.00	1	ICS	Prior	Q1 / 2019		Assignment: National Expertise: Planning, Monitoring and Reporting Expert
PMU-E	BGP Design, Research and Sustainability Expert	45,000.00	1	ICS	Prior	Q1 / 2019		Assignment: National Expertise: Research and Design
PMU-F	BGP Coordination and Outreach Expert	45,000.00	1	ICS	Prior	Q1 / 2019		Assignment: National Expertise: Project Coordination

B. Indicative List of Packages Required Under the Project

The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Comments
None							

Consulting Services							
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/ Post)	Type of Proposal	Comments
None							

C. List of Awarded and On-going, and Completed Contracts

The following tables list the awarded and on-going contracts, and completed contracts.

6. Awarded and Ongoing Contracts

Goods and Works							
Package Number	General Description	Estimated Value	Awarded Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
None							

Consulting Services							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
None							

7. Completed Contracts

Goods and Works								
Package Number	General Description	Estimated Value	Awarded Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
None								

Consulting Services								
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
4A	FM Specialist	150,000.00	23,576.00	ICS	Q1 / 2015	14-MAY-15	10-MAY-16	101.80/US\$ 1 book rate as per mainframe system
2G	Audit firm	30,000.00	26,390.00	SSS	Q4 / 2016	24-OCT-16	03-FEB-17	M/S Deloitte
PMU-B	FM Specialist	150,000.00	28,469.75	ICS	Q4 / 2015	01-APR-16	06-APR-17	105.35/US\$ 1 book rate as per mainframe system
4B	Internal Auditor	150,000.00	23,576.00	ICS	Q1 / 2015	14-MAY-15	06-MAY-17	101.80/US\$ 1 book rate as per mainframe system
PMU-C	Procurement Specialist	150,000.00	37,393.77	ICS	Q4 / 2015	08-JUN-17	02-JUL-18	105.89/US\$ 1 book rate as per mainframe system

Additional Financing

Basic Data

Project Name: Social Protection Development Project (Additional Financing)		
Project Number: 45233-006		Approval Number:
Country: Pakistan		Executing Agency: Benazir Income Support Program
Project Procurement Classification: Category B		Implementing Agency: Benazir Income Support Program
Project Procurement Risk: Medium		
Project Financing Amount: US\$ 204,500,000 ADB Financing: US\$ 200,000,000 Cofinancing (ADB Administered): Non-ADB Financing: US\$ 4,500,000		Project Closing Date: 31 March 2023
Date of First Procurement Plan: 5 August 2019		Date of this Procurement Plan: 5 August 2019
Procurement Plan Duration (in months): 18		Advance Contracting: Yes e-GP: No

A. Methods, Review and Procurement Plan

Except as the Asian Development Bank (ADB) may otherwise agree, the following methods shall apply to procurement of goods, works, and consulting services.

Procurement of Goods and Works	
Method	Comments
Request For Quotation for Goods	Minimum three quotations required

Consulting Services	
Method	Comments
Least-Cost Selection for Consulting Firm	Audit firm
Quality- and Cost-Based Selection for Consulting Firm	(90:10)
Direct Contracting for Consulting Firm	Academic and Research Institutes with ADB prior approval
Competitive for Individual Consultant	ICS(Individual Consultants Selection) for Individual Consultants

B. Lists of Active Procurement Packages (Contracts)

The following table lists goods, works, and consulting services contracts for which the procurement activity is either ongoing or expected to commence within the procurement plan duration.

Goods and Works							
Package Number	General Description	Estimated Value (in US\$)	Procurement Method	Review	Bidding Procedure	Advertisement Date (quarter/year)	Comments
Goods-1	Equipment and Furniture	100,000.00	RFQ	Prior		Q1 / 2020	No. Of Contracts: 10 Advance Contracting: No Comments: Multiple Contracts

Consulting Services							
Package Number	General Description	Estimated Value (in US\$)	Selection Method	Review	Type of Proposal	Advertisement Date (quarter/year)	Comments
AF-1	Audit firm for three years (FY2021, FY2022 and FY2023)	100,000.00	LCS	Prior	BTP	Q4 / 2020	Type: Firm Assignment: National Advance Contracting: No
B-Cap-A	Procurement Specialist	65,000.00	Competitive	Prior		Q4 / 2019	Type: Individual Assignment: National Expertise: Procurement Advance Contracting: Yes

							Comments: BTP
B-Cap-B	Financial Management Specialist	65,000.00	Competitive	Prior		Q4 / 2019	Type: Individual Assignment: National Expertise: Financial Management Advance Contracting: Yes Comments: BTP
PRU-A	Policy, Research and Governance Expert	232,000.00	Competitive	Prior		Q4 / 2019	Type: Individual Assignment: National Expertise: Policy Advice, Research and Governance Advance Contracting: Yes Comments: BTP
PRU-B	Research Methodology & Monitoring and Evaluation Expert	196,000.00	Competitive	Prior		Q4 / 2019	Type: Individual Assignment: National Expertise: Research and design Advance Contracting: Yes Comments: BTP
PRU-C	Social Sector Economist and Financial Forecasting/Modelling Expert	174,000.00	Competitive	Prior		Q4 / 2019	Type: Individual Assignment: National Expertise: Finance and costing Advance Contracting: Yes Comments: BTP
PRU-D-a	Data Analytics Expert	122,000.00	Competitive	Prior		Q4 / 2019	Type: Individual

							Assignment: National Expertise: Data Science and Analytics Advance Contracting: Yes Comments: BTP
PRU-D-b	Data Analytics Expert	122,500.00	Competitive	Prior		Q4 / 2019	Type: Individual Assignment: National Expertise: Data Analysis Advance Contracting: Yes Comments: BTP
PRU-E-a	Short term - Health expert	64,500.00	Competitive	Prior		Q2 / 2020	Type: Individual Assignment: National Expertise: Health, Medicine Advance Contracting: No Comments: Note: BTP, Type of expertise and input requirement will be firmed up during implementation.
PRU-E-b	Short term - Nutrition expert	64,500.00	Competitive	Prior		Q2 / 2020	Type: Individual Assignment: National Expertise: Nutrition, Health Advance Contracting: No Comments: Note: BTP, Type of expertise and input requirement will be

							firmed up during implementation.
PRU-E-c	Short term - Family Planning expert	64,500.00	Competitive	Prior		Q2 / 2020	Type: Individual Assignment: National Expertise: Mother Child Health, Family Planning, Reproductive Health Advance Contracting: No Comments: Note: BTP, Type of expertise and input requirement will be firmed up during implementation.
PRU-E-d	Short term - Education expert	64,500.00	Competitive	Prior		Q2 / 2020	Type: Individual Assignment: National Expertise: Education, Literacy Advance Contracting: No Comments: Note: BTP, Type of expertise and input requirement will be firmed up during implementation.
PRU-E-f	Short term - Water and Sanitation expert	64,500.00	Competitive	Prior		Q2 / 2020	Type: Individual Assignment: National Expertise: Sanitation Advance Contracting: No Comments: Note: BTP, Type of expertise and input requirement will be firmed up during implementation.
PRU-E-g	Short term - Gender expert	64,500.00	Competitive	Prior		Q2 / 2020	Type: Individual Assignment: National

							<p>Expertise: Gender, Social Science</p> <p>Advance Contracting: No</p> <p>Comments: ote: BTP, Type of expertise and input requirement will be firm up during implementation.</p>
PRU-E-h	Short term - Legal expert	64,500.00	Competitive	Prior		Q2 / 2020	<p>Type: Individual</p> <p>Assignment: National</p> <p>Expertise: Legal, Policy Advice</p> <p>Advance Contracting: No</p> <p>Comments: ote: BTP, Type of expertise and input requirement will be firm up during implementation.</p>
PRU-F-a	Research study- social protection/ conditional cash transfer	750,000.00	QCBS	Prior	STP	Q4 / 2020	<p>Type: Firm</p> <p>Assignment: National</p> <p>Quality-Cost Ratio: 90:10</p> <p>Advance Contracting: No</p> <p>Comments: Note: TOR are not developed yet. Cost estimates and TOR will be developed by PRU team and KSTA during implementation</p>
PRU-F-b	Research study- education	750,000.00	QCBS	Prior	STP	Q4 / 2020	<p>Type: Firm</p> <p>Assignment: National</p> <p>Quality-Cost Ratio: 90:10</p> <p>Advance Contracting: No</p> <p>Comments: Note: TOR are not developed yet.</p>

							Cost estimates and TOR will be developed by PRU team and KSTA during implementation
PRU-F-c	Research study- gender / nutrition	750,000.00	QCBS	Prior	STP	Q3 / 2020	Type: Firm Assignment: National Quality-Cost Ratio: 90:10 Advance Contracting: No Comments: Note: TOR are not developed yet. Cost estimates and TOR will be developed by PRU team and KSTA during implementation
PRU-F-d	Research study- health / family planning	750,000.00	QCBS	Prior	STP	Q4 / 2020	Type: Firm Assignment: National Quality-Cost Ratio: 90:10 Advance Contracting: No Comments: Note: TOR are not developed yet. Cost estimates and TOR will be developed by PRU team and KSTA during implementation

C. List of Indicative Packages (Contracts) Required Under the Project

The following table lists goods, works, and consulting services contracts for which procurement activity is expected to commence beyond the procurement plan duration and over the life of the project (i.e., those expected beyond the current procurement plan duration).

Goods and Works

Package Number	General Description	Estimated Value (in US\$)	Procurement Method	Review	Bidding Procedure	Comments
Goods-2	Equipment and Furniture	100,000.00	RFQ	Prior		No. Of Contracts: 10 Comments: Multiple Contracts

Consulting Services						
Package Number	General Description	Estimated Value (in US\$)	Selection Method	Review	Type of Proposal	Comments
PRU-F-e	Research study-water / family planning	450,000.00	QCBS	Prior	BTP	Type: Firm Advertising: National Quality-Cost Ratio: 90:10 Comments: TOR are not developed yet. Cost estimates and TOR will be developed by PRU team and KSTA during implementation

D. List of Awarded and On-going, and Completed Contracts

There are no ongoing, completed or awarded contracts

E. Non-ADB Financing

No procurement is planned from non-ADB financing.

F. Indicative Individual Consultant's Terms of Reference for Additional Financing

1. Objective

The individual consultants will assist BISP in developing and implementing evidence-based policies and programs for operations of an effective social safety net, and to reduce poverty and provide social protection. These individual consultants will form the core team of experts for the Policy Research Unit (PRU) and will be hired on contract basis, with annual renewal pursuant to performance review by the board.

The PRU will conduct research, and review literature on social protection programs and poverty reduction, to identify global best practices that can be applied to the Pakistan (BISP) context. The PRU will help BISP develop financially sustainable program models by maximizing cost-effectiveness, efficiency, and impact of planned interventions by ensuring they are designed using the best available evidence. It will also help monitor and evaluate BISP programs for continuous improvement and respond to BISP's ongoing research/evidence needs arising from operations of its existing programs. It will also serve as a knowledge management hub primarily for social safety nets and broadly also for social protection and poverty alleviation.

2. Experts Required and Specific Tasks

- (i) **Policy, Research, and Governance Expert / Team Leader** (national, 32 person months, full-time basis)

Minimum qualification: PhD in public policy, social policy, governance, research, statistics or related field, 15 years of experience with at least 5 years of experience leading research work.

Detailed tasks:

1. Preparation of research strategy in consultation with the PRU Steering Committee,
2. Preparation of inception report and annual work plan,
3. Development of research and design methodologies tailored to context and need,
4. Supervision of implementation, review, and evaluations of research projects,
5. Development of routine systems for data analysis, reporting, and recommendation,
6. Recommend evidence-based program models that are effective, cost-effective, and feasible,
7. Review and design modification to improve ongoing BISP programs,
8. Review of global and national literature to identify best practices, and build a body of evidence,
9. Publish research papers and articles on BISP and social sector,
10. Identification and selection of individual short technical expertise needed,
11. Supervision and management of core team and short-term experts,
12. Development of collaboration and partnership network with academic and research institutes,
13. Liaise with other government partners in social sector, and with development partners,
14. Coordinate and liaise with the PRU Steering Committee, and
15. Preparation and presentation of analyses, research findings, and data.

- (ii) **Research Methodology & Monitoring and Evaluation** (national, 32 person months, full-time basis).

Minimum qualification: PhD (or equivalent advanced university degree) in research and design, monitoring and evaluation, program development, or related field. 10 year of relevant experience with demonstrated experience in monitoring and evaluation.

Detailed tasks:

1. Assist in preparation of research strategy, inception report, and annual work plan in consultation with PRU,
2. Development of research and design methodologies tailored to context and need,
3. Assist in review and improvement of ongoing programs,
4. Coordinate with team to recommend program models that are effective, cost-effective, and feasible,
5. Review of global and national literature to identify best practices and build a body of evidence,
6. Work closely with data analysis to produce reports on findings, and recommendations,
7. Development of routine systems for data analysis, reporting, and recommendation,
8. Publish research papers and articles on BISP and social sector,
9. Liaise closely with M&E wing of BISP to develop coordinated approach and to provide support,
10. Assist with development of collaboration and partnership network with academic and research institutes,
11. Liaise with other government partners in social sector, and with development partners,
12. Preparation of reports and analyses,

13. Other support to PRU as needed.

(iii) **Social Sector Economist and Financial Forecasting/Modelling Expert**
(national, 32 person months, full-time basis).

Minimum qualification: Advanced university degree in economics, or related degree; PhD preferable. At least 10 years of relevant experience with demonstrated experience in developing financial models and forecasts to assist in developing cost-effective interventions.

Detailed tasks:

1. Assist in preparation of research strategy, inception report, and annual work plan in consultation with PRU,
2. Assist team in costing of all research projects, pilots, and programs,
3. Develop fiscal space analyses, and financial gaps and needs analyses,
4. Develop financial modelling and forecasting of new projects/pilots, and ongoing programs to study their cost-effectiveness, financial feasibility, and long-term financial sustainability of interventions,
5. Work with team to develop evidence-based program recommendations that are financially feasible, cost-effectiveness, and financial sustainable,
6. Undertake economic analyses of ongoing and planned interventions,
7. Review of global and national literature to identify best practices and build a body of evidence,
8. Liaise with other government partners in social sector, and with development partners,
9. Preparation of reports and analyses,
10. Other support to PRU as needed.

(iv) **Data Analytics Expert** (2 national, 64 person months, full-time basis).

Minimum qualification: Advanced university degrees in data analysis. At least 5-7 years experience with analysis of large data sets, including use of SPSS and STATA.

Detailed tasks:

1. Identification of data needs of programs and wings,
2. Analysis of large-scale data sets (with close coordination with NSER wing) and producing reports,
3. Analysis of data related to new research projects and pilots,
4. Analysis of data related on ongoing BISP programs,
5. Development of routine process of data analyses from all projects,
6. Development of routine reports to team and relevant wings.

(v) **Procurement Specialist** (National, 24 person months, full time)

The consultant shall work under the supervision of Additional Director General (Procurement) of the procurement wing in BISP.

Minimum qualification: Hold a post-graduate degree in a major relevant discipline (e.g., procurement, engineering, business administration, management etc.); b. Preferably seven (7) years of experience in procurement practices, with background of procurement of consulting services and goods. In addition, experience of capacity building and training activities, implementation of development projects will be preferred; and c. In-depth knowledge and familiarity with the procurement procedures of international financing institutions.

Detailed tasks:

1. Review the existing procurement practices and procedures of BISP. Such review shall highlight the roles and responsibilities of different officials involved in procurement cycle in BISP;
2. Identify whether there is a need for a sustainable procurement training program for BISP officials in the area of public procurement Rules, procurement planning, procurement of goods, works, consulting services, technical specifications, tendering processes etc.;
3. Identify whether there is a need for updating BISP procurement manual;
4. Develop a procurement strategy for procurement of consulting services under additional financing particularly hiring of PRU specialists/experts;
5. Ensure timely initiation and completion of procurement processes of consulting firms and individual experts in close coordination with ADB resident mission; and award of contract;
6. Ensure timely completion of procurement of Goods;
7. Develop procurement plans when needed;
8. Develop and conduct four training programs for BISP staff on need basis;
9. Deliver presentations of progress of procurement-related issues/activities.

(vi) **Financial Management Specialist (national, 24 months, fulltime)**

The consultant shall work under the supervision of Director General of the Finance and Accounts wing in BISP.

Minimum qualification: Postgraduate degree in finance, economics, statistics, management or equivalent. Must have 10 years' experience of working in public sector financial management, preferably in Pakistan. Sound understanding of public financial management in Pakistan, including in the context of social safety projects. Must be well versed of budgetary process in Pakistan.

Detailed tasks:

1. Provide overall financial oversight of the project, including developing, guiding and directing financial management and accounting systems to support utilization of ADB funds – ensuring efficiency and effectiveness in the delivery of outputs required to achieve the objectives of the project.
2. Ensure that accounting of resources received, reporting on receipt and use of expenditures is in compliance with the requirements of the Government and ADB;
3. Make arrangements for audit of project funds and ensure that report produced is in compliance with audit requirements of the Government and ADB;
4. Maintain and update the project financial management system to track and report on project resources and expenditures, and generate the necessary reports;
5. Prepare monthly reconciliation statements for all bank accounts on a timely basis, including preparation of withdrawal applications, to ensure steady flow of funds needed;
6. Manage financial aspects of the contracts under administration, including payment terms, purchase orders, variation orders
7. Ensure the compliance with international financial reporting standards and auditing requirements
8. Ensure that entity financial statements are audited on annual basis within four months of close of financial year.

3. Duration of the Assignment

The contract will be initially for one year, extendable for another year or so as to overlap with the period of ADB financing for the PRU, subject to satisfactory performance.

Indicative TOR for Short Term Subject Matter Experts for PRU

1. Description of Research Studies to be Conducted by PRU

BISP's focus since inception has mostly been on UCTs. Reviews of UCT show that while they provide a financial cushion for the poor, they have limited impact on the reduction of poverty. In light of these findings, the government's renewed commitment to poverty reduction and social protection, and the Ehsaas Policy, BISP is expanding its approach and is looking at alternate modalities that target the improvement of human capital, including poverty graduation programs, direct cash programs, and Conditional Cash Transfers (CCTs), based on global best practices. There is considerable international evidence that improving investment in human capital through CCTs can lead to a decrease in intergenerational poverty. The Policy Research Unit PRU will be conducting studies to provide evidence that will help BISP shape these modalities. Critical areas for investment in human capital include (i) health, (ii) nutrition, (iii) family planning, (iv) education, (v) water and sanitation, (vi) gender equity, (vii) supportive legislation, and others.

Based on global evidence of which areas are most relevant, research projects are planned for: (i) health, (ii) education, (iii) family planning, (iv) nutrition, and (iv) water and sanitation.

Figure 3. Preliminary Overview of PRU Research Topics

Cross-cutting Themes		Key Research Topics	How they impact poverty?	Research Results
Supportive Legislation	Gender	Health	High Out of Pocket & Catastrophic health care costs Poor health → unable to achieve potential	To what extent do these risk factors play a specific role in Pakistan? Are there variations within Pakistan? Lessons learnt from past and current attempts to address them? What works in the field? Development of Evidence-Based Policy Recommendations on Interventions that are Efficient, Cost-effective, and Impactful
		Nutrition	Poor nutrition → malnutrition and Stunting → Unable to achieve potential	
		Family Planning	Population level → rapid growth wipes out macroeconomic gains Family level → large family size with no birth spacing → malnutrition and stunting	
		Education	Poor education direct risk factor for poverty (and for malnutrition and population growth)	
		Water & Sanitation	Leads to malnutrition & stunting, and poor health outcomes	

These studies will identify to what extent these factors contribute to the specific root causes of poverty in Pakistan, and to identify appropriate mechanisms to address them. For example, global literature shows poor water and sanitation is strongly linked with malnutrition and stunting, preventing children from being able to achieve education and training goals, locking them out of full participating in the economy. A research study could explore: (i) to what extent poor water and sanitation specifically contribute to stunting in Pakistan; (ii) if there are variations within Pakistan according to geographic or other factors that impact the risk; (iii) existing attempts to address water and sanitation issues, along with results; (iv) different possible modalities to address stunting linked to water and sanitation; and (v) develop evidence-based policy recommendations on the direction that BISP should take, if any, in addressing the issue. The aim of the studies is to help BISP, through the PRU, define the new interventions while ensuring that they are efficient, cost-effective, and impactful.

Given the devolution to provinces, the research studies will also need to assess how to operate in provinces and liaise with federal and other provinces. The research studies can include literature review, research methodology design and testing, field work, surveys, key informant interviews, tabulation, review and analysis of results, and development of evidence-based policy recommendations.

Based on primary evidence generated from these studies, and through review of existing literature and global best practices, the PRU will help BISP develop financially sustainable program models by maximizing cost-effectiveness, efficiency, and impact of planned interventions by ensuring they are designed using the best available evidence.

A Small Scale-Knowledge Technical Assistance (SS-KSTA) from ADB will help refine the work plan and the staffing needs of the PRU further, including the specific research projects being planned. The SS-KSTA will hold multiple stakeholder consultations with all departments within BISP to assess specific needs, develop concrete staffing plan with terms of reference, assist with recruitment, develop performance evaluation standards and review mechanism, develop reporting lines for PRU, develop a workplan for PRU, identify critical research needs and initial projects, identify short term expert consultant needs along with TORs, and other work as needed.

2. Terms of Reference for Short Term Subject Matter Experts

To support the core team of the PRU, specialized subject matter technical experts will be hired as needed. As mentioned above, key research is expected in areas that can increase investment in human capital, including health, nutrition, family planning, education, water and sanitation, gender, legislation, and so on. The SSTA will also assist in further refining the TORs of the subject matter experts. Below TORs are indicative and the duration of assignments will also vary depending on the priority areas identified for policy research.

a. Health expert (6 person months, intermittent over 2 years)

Minimum qualification: Advanced university degree (master's level or equivalent qualification) in medicine, public health, health economics, health management, or public administration, from an accredited institution. At least 10 years or more of experience, with strong experience in research. Experience in designing conditional cash transfer programs or other demand-side incentive programs highly desirable.

Detailed tasks: Work closely with core team to provide expert health-related support including, but not limited to,

1. Review of global literature on health issues relating to social protection, human capital investment, and poverty reduction, including identifying applicable global best practices
2. Review of ongoing BISP health interventions to identify modifications and improvements
3. Development of health-specific research questions and design methodology
4. Assist in implementation of health-specific research design methodology
5. Collection and analysis of data, and development of recommendations, including recommendations for managing the federal/provincial divide of programs
6. Development of specific CCT (or equivalent) design for health
7. Work with core team to ensure that any recommendations or proposed CCT (or equivalent) designs are costed, cost-effective, sustainable, and show value-for-money
8. Identification of possible risks and perverse incentives of health-related CCTs (or equivalent design) and development of mechanisms to address them
9. Publication of related results and articles

10. Liaison with stakeholders and experts in provinces, development partners, and academic institutions
11. Other support to PRU as needed.

b. Nutrition expert (6 person months, intermittent over 2 years)

Minimum qualification: Advanced university degree (master's level or equivalent qualification) in nutrition, nutritional health, medicine, public health, or affiliated fields, from an accredited institution. At least 10 years or more of relevant nutrition-related experience with work experience on national or large-scale strategies or programs to address wasting, stunting, or malnutrition, and experience in research. Experience in designing conditional cash transfer programs or other incentive programs related to nutrition highly desirable.

Detailed tasks: Work closely with core team to provide expert nutrition-related support including, but not limited to:

1. Review of global literature on nutrition issues relating to social protection, human capital investment, and poverty reduction, including identifying applicable global best practices
2. Review of ongoing BISP nutrition interventions to identify modifications and improvements
3. Development of nutrition-specific research design methodology
4. Assist in implementation of nutrition-specific research design methodology
5. Collection and analysis of data, and development of recommendations, including recommendations for managing the federal/provincial divide of programs
6. Development of specific CCT (or equivalent) design for nutrition
7. Work with core team to ensure that any recommendations or proposed CCT (or equivalent) designs are costed, cost-effective, sustainable, and show value-for-money
8. Identification of possible risks and perverse incentives of nutrition-related CCTs (or equivalent design) and development of mechanisms to address them
9. Publication of related results and articles
10. Liaison with stakeholders and experts in provinces, development partners, and academic institutions
11. Other support to PRU as needed.

c. Family Planning expert (4 person months, intermittent over 2 years)

Minimum qualification: Advanced university degree (master's level or equivalent qualification) in medicine, public health, health economics, health management, or public administration, from an accredited institution. At least 10 years or more of experience in family planning on a national or large sub-national scale with an understanding of impact of population growth on human capital and linkage to poverty, with strong experience in research. Experience in designing conditional cash transfer programs or other incentive programs highly desirable.

Detailed tasks: Work closely with core team to provide expert family planning-related support including, but not limited to,

1. Review of global literature on family planning issues relating to social protection, human capital investment, poverty reduction, and economic growth, including identifying applicable global best practices
2. Review of ongoing national family planning interventions to identify successes and challenges
3. Development of family planning-specific research design methodology
4. Assist in implementation of family planning-specific research design methodology, including recommendations for managing the federal/provincial divide of programs

5. Collection and analysis of data, and development of recommendations
6. Development of specific CCT (or equivalent) design for family planning
7. Work with core team to ensure that any recommendations or proposed CCT (or equivalent) designs are costed, cost-effective, sustainable, and show value-for-money
8. Identification of possible risks and perverse incentives of family planning-related CCTs (or equivalent design) and development of mechanisms to address them
9. Publication of related results and articles
10. Liaison with stakeholders and experts in provinces, development partners, and academic institutions
11. Other support to PRU as needed.

d. Education expert (6 person months, intermittent over 2 years)

Minimum qualification: Advanced university degree (master's level or equivalent qualification) in education, public policy, education policy, or other related field, from an accredited institution. At least 10 years or more of experience in planning national educational policies, strategies, programs, and improvement of service provision and access with a focus on the poor, with strong experience in research. Experience in designing conditional cash transfer programs or other incentive programs highly desirable.

Detailed tasks: Work closely with core team to provide expert education-related support including, but not limited to,

1. Review of global literature on education issues relating to social protection, human capital investment, poverty reduction, and economic growth, including identifying applicable global best practices
2. Review of ongoing national education interventions to identify successes and challenges
3. Review of ongoing BISP CCT program to identify necessary modifications and improvements
4. Development of education-specific research design methodology
5. Assist in implementation of education-specific research design methodology, including recommendations for managing the federal/provincial divide of programs
6. Collection and analysis of data, and development of recommendations
7. Development of specific CCT (or equivalent) design for education
8. Work with core team to ensure that any recommendations or proposed CCT (or equivalent) designs are costed, cost-effective, sustainable, and show value-for-money
9. Identification of possible risks and perverse incentives of education-related CCTs (or equivalent design) and development of mechanisms to address them
10. Publication of related results and articles
11. Liaison with stakeholders and experts in provinces, development partners, and academic institutions
12. Other support to PRU as needed.

e. Water and Sanitation expert (4 person months, intermittent over 2 years)

Minimum qualification: Advanced university degree (master's level or equivalent qualification) in civil or environmental engineering, environmental science, or other fields relevant to broad-based water and sanitation service provision for low-income groups, from an accredited institution. At least 10 years or more of experience in the design and implementation of water and/or sanitation projects and programs and/or integrated water resources management projects and programs), with a focus on the poor; and an understanding in particular of the role sanitation plays in stunting

and poor health. Experience in research and in designing/implementing/assessing conditional cash transfer programs or other incentive programs highly desirable.

Detailed tasks: Work closely with core team to provide expert water and sanitation-related support including, but not limited to:

1. Review of global literature on water and sanitation issues relating to stunting and poor health, social protection, human capital investment, poverty reduction, and economic growth, including identifying applicable global best practices
2. Review of ongoing national water and sanitation interventions to identify successes and challenges
3. Development of water and sanitation-specific research design methodology
4. Assist in implementation of water and sanitation-specific research design methodology, including recommendations for managing the federal/provincial divide of programs
5. Collection and analysis of data, and development of recommendations
6. Development of specific CCT (or equivalent) design for water and sanitation
7. Work with core team to ensure that any recommendations or proposed CCT (or equivalent) designs are costed, cost-effective, sustainable, and show value-for-money
8. Identification of possible risks and perverse incentives of water and sanitation-related CCTs (or equivalent design) and development of mechanisms to address them
9. Publication of related results and articles
10. Liaison with stakeholders and experts in provinces, development partners, and academic institutions
11. Other support to PRU as needed.

f. Gender expert (4 person months, intermittent over 2 years)

Minimum qualification: Advanced university degree (master's level or equivalent qualification) in gender studies, social sciences, public policy, or other related degrees, from an accredited institution. At least 10 years or more of experience, with strong experience in designing and implementing gender-themed research. Experience in designing conditional cash transfer programs or other incentive programs highly desirable.

Detailed tasks: Work closely with core team to provide expert gender-related support including, but not limited to:

1. Review of global literature on gender and gender equity issues relating to social protection, human capital investment, and poverty reduction, including identifying applicable global best practices
2. Review of ongoing BISP interventions to identify modifications and improvements that can help improve gender equity
3. Development of gender-specific research design methodology
4. Assist in implementation of gender-specific research design methodology
5. Assist in improving the gender-focus of ongoing and planned interventions and programs
6. Collection and analysis of data, and development of recommendations, including recommendations for managing the federal/provincial divide of programs
7. Working closely with other programs like education and nutrition to develop CCT (or equivalent) design to improve gender equity
8. Work with core team to ensure that any recommendations or proposed CCT (or equivalent) designs are costed, cost-effective, sustainable, and show value-for-money
9. Identification of possible risks and perverse incentives of ongoing and planned CCTs (or equivalent design) and development of mechanisms to address them
10. Publication of related results and articles

11. Liaison with stakeholders and experts in provinces, development partners, and academic institutions
12. Other support to PRU as needed.

g. Legal expert (6 person months, intermittent over 2 years)

Minimum qualification: Advanced university degree (master's level or equivalent qualification) in legal studies, or related degrees, from an accredited institution. At least 10 years or more of demonstrated experience in social sector legislation with experience in policy review, drafting and implementation; demonstrated experience in developing legal instruments on matters relating to national or sub-national governance; and strong research skills.

Detailed tasks: Work closely with core team to provide expert legislation-related support including, but not limited to,

1. Review of global literature on comprehensive supportive legislation relating to social protection, human capital investment, and poverty reduction, including identifying applicable global best practices
2. Review of BISP and PASS mandates with a mapping of existing policies, identification of policy gaps/needs, and drafting of new policies and policy recommendations
3. Develop policy solutions to work within the devolved model of governance in Pakistan
4. Work with core team to ensure that any recommendations or proposed CCT (or equivalent) designs are according to legislative framework
5. Publication of related results and articles
6. Liaison with stakeholders and experts in provinces, development partners, and academic institutions
7. Other support to PRU as needed.

VII. SAFEGUARDS

55. The project is classified as category C for environment, involuntary resettlement and indigenous people, in accordance with the ADB Safeguard Policy Statement (2009). The BISP is an inclusive program that does not discriminate based on indigenous status. The program beneficiaries are selected based on the results of a poverty score card survey using proxy means testing. No questions are included on religion, language or ethnicity, to ensure participation/inclusion of all poor irrespective of tribe/sub-tribe or minority status. The project will not support any physical intervention; as such there is no need for land acquisition.

56. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),²³ ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.

²³ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

VIII. GENDER AND SOCIAL DIMENSIONS

Activities	Indicators and Targets	Timeframe	Responsibility
Output 1. Expanded coverage of cash transfer program			
Current Project 1. Gender sensitive awareness raising by field social mobilizers supports demand generation for new enrolments and knowledge of rights, entitlements and grievance redress mechanisms amongst BISP beneficiaries. 2. Mobilization of surveyors to identify pending and difficult to reach beneficiaries and support registration of CNIC to BISP. 3. Catch-up effort of National Database Registration Authority (NADRA) mobile and semi-mobile teams to issue computerized national identity card (CNIC) and bank account. Overall Project Unchanged	Current Project <ul style="list-style-type: none"> BISP tehsil offices and social mobilizers are able to explain to potential/existing female beneficiaries about entitlements for CNICs and BISP programs and respond to complaints. Awareness raising campaigns undertaken throughout catchup period. By 2018 95% of eligible female heads of families with the CNIC enrolled in BISP (2013 baseline: 70%) Debit card issued and Biometric Verification System payments mechanism operational for all new registered women with CNIC (2.4 million) By 2018 Regular cash transfers received on time by 2.4 million women (2013 baseline: 0) Overall Project <ul style="list-style-type: none"> BISP tehsil offices and social mobilizers are able to explain to potential/existing female beneficiaries about entitlements for CNICs and BISP programs and respond to complaints. One study to assist in developing more effective community outreach mechanisms conducted by 2020 (baseline: 0)²⁴ 	Year 1–5 Year 1–2 Year 1–5 Within 3 months of registration Year 1-5 Q2 of Year 1	BISP and NADRA

²⁴ Outreach mechanisms to be studied include: awareness campaigns via print/electronic media/mobile phones, BISP beneficiary committees formed under Waseela-e-Taleem (Education CCT) program and other communication channels used by BISP to reach out women beneficiaries.

	<ul style="list-style-type: none"> By 2022: 100% of eligible female heads of families with the CNIC enrolled in BISP (2018 baseline: 95%) Regular cash transfers received on time by 5 million newly registered women (2018 baseline: 2.4 million newly registered women) 		
Output 2. BISP Graduation Program implemented²⁵			
<u>Current Project</u> 1. Create awareness about the BISP graduation program to ensure women and girls are fully-informed and have equitable access to its benefits. 2. Create employment opportunities for women in Inclusive Business Companies and Social Enterprises. <u>Overall Project</u> Unchanged	<u>Current Project</u> <ul style="list-style-type: none"> Comprehensive business incubation provided to BISP and other poor and vulnerable beneficiaries (baseline:0 target: 50000 of which 30% women by June 2020) Poor and vulnerable people in the value chain of inclusive Business companies and Social Enterprises come out of poverty. (Baseline: 0 in 2014, targets: 85% BISP beneficiaries employed by IB companies, of which 20% women) Monitoring and reporting requirements ensure GAP targets are reported regularly <u>Overall Project</u> Unchanged	Q3 2020 Q2 2022 Q2 of 2020	BISP PMU BGP-
Output 3. Improved financial management and control systems, and policy research			
<u>Current Project</u> 1. Engendered research conducted on BISP in line with research framework to promote evidence-based policy development.	<u>Current Project</u> <ul style="list-style-type: none"> New position created and filled for a Social Researcher (Gender) and develop a multi-year social research program inclusive of relevant topics for women empowerment and poverty reduction 	Year 1 Year 2-5	

²⁵ The original scope of the project included a UCT component, two poverty graduation components (for health and skills development: the *Waseela-e-Sehet*, a health insurance program and the *Waseela-e-Rozgar*, a skills development program), and an institutional strengthening component. *Waseela-e-Sehet* and *Waseela-e-Rozgar* were later replaced by the BISP Graduation Program (BGP) through minor change in scope on 8 December 2017. The ongoing project was subsequently restructured with 3 outputs: cash transfer program expanded (Output 1), the BGP implemented (new output 2) and financial management and control systems and policy research improved (new output 3).

<p>Overall Project</p> <p>1. Engendered research conducted on BISP in line with research framework to promote evidence-based policy development</p>	<ul style="list-style-type: none"> Updated BISP research framework to include specific gender analysis on empowerment outcomes of Outputs 1-2 above Web articles, policy briefs, discussion documents and other research outputs on gender impacts of BISP such as impacts of unconditional cash transfers on nutrition and/or indebtedness and/or asset ownership by type (income generating, labor saving, etc; impacts of health insurance on health and health-seeking behavior of poor women; and impacts of skills training on informal and formal sector labor participation rates/income generation by gender. <p>Overall Project</p> <ul style="list-style-type: none"> Policy Research Unit established and fully operational by Q1 2020 PRU's workplan for research to include specific gender analysis on women's empowerment outcomes of Outputs 1-2 above by Q2 2020 and ensure annually. Web articles, policy briefs, discussion documents and other research outputs on gender impacts of BISP such as impacts of unconditional cash transfers on nutrition and/or indebtedness and/or asset ownership by type (income generating, labor saving, etc.; impacts of health insurance on health and health-seeking behavior of poor women; and impacts of BISP graduation program on informal and formal sector labor participation rates/income generation by gender. BISP research on women's empowerment outcomes (i) contain both quantitative and qualitative data, and (ii) cover both practical and strategic benefits for women, including those that are considered as transformative gender agenda, e.g., creating access to economic and productive resources, ICT, changing gendered social norms, women's participation in decision-making and leadership, etc. BISP research framework to include one study for developing social protection schemes (such as covering disabilities, man-made or 	<p>Q1 2021</p> <p>Q2 2020</p> <p>Ongoing</p> <p>Q1 2022</p> <p>Q1 2022</p> <p>Q2 2020</p>	<p>BISP PMU and PRU</p>
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	<p>natural disasters, and marketable skills training programs etc.) for women home-based workers by 2021 (baseline: 0)²⁶</p> <ul style="list-style-type: none"> • Monitoring and Quarterly progress reports of the project include updates on GAP targets. 		
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²⁶ This will help women's transition from informal to formal labor markets.

A. Additional Financing Gender GAP Analysis Summary

57. Pakistan has a large informal economy, limited employment opportunities in formal labor markets, slow economic growth, and increasing trend of natural and man-made disasters, all which make the country's poor highly susceptible to falling below the poverty line. Additional support to BISP will ensure the continuity of UCT and provide relief to the extreme poor. Given the sociocultural constraints on women's access to health, education, training, jobs, financing, and ease of mobility, women in Pakistan are more vulnerable towards economic shocks and poverty. The overall literacy rate for women in Pakistan is 51.8%, compared to an already low 72.5% for men. Labor force statistics show that labor force participation is 25% for females compared to 82% for males (ages 15 and above)²⁷ which is amongst the lowest in the world and the South Asian region.

58. The current Social Protection and Development Project is classified as "Gender Equity",. The original scope of the project was comprised of 4 outputs including; i) cash transfer program coverage expanded, ii) health insurance program refined and rolled out; iii) skill development program strengthened; and iv) financial management and control systems and policy research improved. Scope of the project was revised in 2017 while replacing output 2 and 3 with BISP Graduation Program (BGP). Under SPDP 855,052 new beneficiaries were enrolled. All of the new beneficiaries have CNIC, whereas 0.8 million are being paid regular quarterly installments. However, about 55,000 ADB beneficiaries are yet to be paid.²⁸ The BISP is a women-focused program while providing cash directly to women as primary beneficiaries. The program has helped in increasing women's financial inclusion with National Identity cards and bank accounts being the pre-requisites for availing UCT. BISP's external evaluations noted significant increase in BISP women's mobility with more women being allowed to freely travel to various locales within the community alone. BISP is also related to increasing proportions of beneficiary women voting²⁹. However, there is still need to improve women's awareness about their entitlements as BISP beneficiaries, new initiatives undertaken by the program and increased access to program related information. Currently the research undertaken by the program is largely focused on course correction and improvement of existing initiatives. There is a need for more structured research to help BISP evolve from a social safety net to a more holistic and improved social protection program.

59. With direct impacts on gender equality and women's empowerment, the proposed project will maintain the current gender classification of "Gender Equity". Following additional gender actions to be supported by additional financing; i) One study to assist in developing more effective community outreach mechanisms conducted by 2020 (baseline: 0); ii) Policy Research Unit established and fully operational by Q1 2020; iii) BISP research framework to include one study for developing social protection schemes (such as covering disabilities, man-made or natural disasters, and marketable skills training programs etc.) for women home-based workers by 2021 (baseline: 0); and iv) Monitoring and Quarterly progress reports of the project include updates on GAP targets by Q2 2020.

²⁷ ADB. 2019. *Country Diagnostic Study*. Manila (unpublished).

²⁸ Source: Loan 3049-PAK: Social Protection Development Project Aide Memoire for the Loan Review Mission (6-10 May 2019).

²⁹ Oxford Policy Management, 2016, Benazir Income Support Programme, Final Impact Evaluation Report.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Impact the Project is Aligned with
Current project Reduced income poverty and non-income poverty for poor families in Pakistan (2007 National Social Protection Strategy) ^a
Overall project Unchanged

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Current project Increased resilience of BISP female beneficiaries and their families. Overall project Unchanged	By 2023: Current project a. Average per capita consumption expenditure of beneficiaries increased to 105 (2012 baseline: PRs1,575 = 100 in 2012) b. Beneficiaries with health insurance using health services for catastrophic health event increased to 1.37 (2012 baseline: 0.39% in 2012) c. Skilled employment rate of trained beneficiaries in pilot districts within 3 months of training increased to 42%, of which at least 35% are women (2012 baseline: 34% in 2012) Overall project Unchanged.	a-c. (i) Household integrated economic survey for FY2022; (ii) BISP impact monitoring and evaluation; (iii) third party impact assessment studies; and (iv) internal monitoring reports	Ongoing delays in completion of audited financial statements weakens monitoring of internal controls adequacy.
Outputs Output 1 Current project Cash transfer program coverage expanded Overall project Unchanged	Current project By 2018: 1a. 95% of all eligible female heads of families with the CNIC enrolled in BISP (2013 baseline: 70%) 1b. Regular cash transfers received on time by 2.4 million BISP beneficiaries (2013 baseline: 0) Overall project By 2022: 1a. 100% of all eligible female heads of families with the CNIC enrolled in BISP (2018 baseline: 95%) 1b. Regular cash transfers received on time by 5 million newly registered	1a-1b. (i) Quarterly internal monitoring reports; (ii) NADRA reports; (iii) BISP financial management reports; and (iv) six monthly spot checks conducted by BISP	Reconciliation process in preparing financial reports is not timely and may result in variances for the observed number of beneficiaries. The IA function requires strengthening in order to address risks identified in Management Letters.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	women (2018 baseline: 2.4 million newly registered women)		
Output 2 Current project BISP Graduation Program implemented Overall project Unchanged.	Current project 2a. Income poverty sustainably reduced for 50,000 households in the project area (2014 baseline: 0) 2b. Social protection in health for BISP poor enhanced and accessed by 20,000 households (2014 baseline: 0) Overall project 2a-2b. Unchanged.	2a-b Impact Assessment Study undertaken through independent third party evaluators financed by ADB.	
Output 3 Current project Financial management and control systems and policy research improved. Overall project Unchanged.	Current project 3a. Detailed annual budget prepared and object level classification and chart of accounts used for expenditure from Q1 2014 onward. (baseline: **) 3b. Engendered research conducted in line with research framework, from Q1 2015 onwards. (baseline: **) Overall project 3a-3b: Unchanged 3c. PRU established and fully operational by Q4 2020. (2019 baseline: 0).	3a-b (i) Quarterly internal monitoring reports of the implementation agency; (ii) yearly impact assessment; and (iii) six monthly spot checks through joint BISP and ADB missions	

Key Activities with Milestones

1. Cash transfer program coverage expanded:

- 1.1 Support catch-up effort to enroll pending beneficiaries (Q3 2014 Q4 2015)
- 1.2 Provide payments for newly registered (and other) beneficiaries (Q1 2015–Q4 2021)
- 1.3 Monitor timely delivery of cash transfer (until Q4 2021)

2. BISP Graduation Program implemented:

2.1 Business Incubation:

- Contract implementing agency (Q4 2019)
- Select appropriate beneficiaries (Q2–Q3 2020)
- Do skills training, business coaching, market and company linkages (Q2 2020–Q4 2020)
- Implement asset transfers (Q3 2020–Q1 2021).
- Enroll those who get assets in compulsory health insurance and refer sick to professional health service providers (Q2 2020–Q2 2021)
- Do appropriate impact monitoring and reporting (Q4 2020, Q4 2021)

2.2 Inclusive Business:

- Select suitable companies and social enterprises and make inclusive business agreement (Q2–Q3 2020)
- Transfer funds to the company in installments based on performance progress (Q3–Q4 2020)
- Do monitoring and external impact assessment (Q4 2020, Q4 2021)

2.3 Public Works:

- Engage with local governments to prepare public works proposals (Q2 2020– Q3 2020)

Key Activities with Milestones

- Get the proposals endorsed by the provincial governments (Q4 2020–Q3 2021)
- Prepare public works agreements (Q3 2021–Q4 2021)
- Do impact monitoring (Q4 2020, Q4 2021, Q2 2022)
- Transfer funds based on performance progress (Q3 2020–Q1 2022)

2.4 Direct Cash:

- Support BISP to identify appropriate direct cash beneficiaries (Q4 2019–Q1 2020)
- Engage business schools to do business coaching (Q4–Q2 2020)
- Do business coaching for beneficiaries (Q2 2020–Q2 2021)
- Based on progress in business plan and initial implementation, release cash grants in installments (Q3 2020–Q1 2022)
- Do impact assessment together with international university (Q3 2020, Q1 2021, Q3 2021, Q1 2022)

3. Financial management and control systems, and policy research improved

- Advertise and recruit financial manager, internal auditor, and policy and research specialist (gender) (Q1 2014–Q4 2014)
- Provide training for staff in finance and accounts department (Q2 2014–2015)
- Devise, implement, and disseminate research findings of a program of engendered sensitive social research within research framework (Q1 2014–Q2 2022)
- Advertise core staff positions for PRU (Q4 2019)
- Recruit core staff for PRU and PRU set up (Q1 2020)
- Undertake ongoing research for improved social protection and poverty reduction programs (Q2 2020 – Q3 2022)

Project Management Activities

Recruit Procurement Consultant to support BISP's Procurement Wing for ADB additional financing procurements by Q1 2020

Recruit Financial Management Consultant to support BISP's F&A Wing for ADB additional financing by Q1 2020

Set up project performance management system by Q2 2020

Prepare project completion report by Q4 2023

Inputs

Asian Development Bank	Government
\$394.5 (current)	\$148.3 (current)
\$200.0 (additional)	\$4.5
\$594.5 (overall)	\$152.8

Assumptions for Partner Financing**Current project**

Not applicable.

Overall project

Unchanged.

BISP = Benazir Income Support Program, CNIC = computerized national identity card, IA = internal audit, EFC = error, fraud and corruption, NADRA = National Database and Regulatory Authority, PRU = Policy Research Unit, Q = Quarter.

^a Government of Pakistan, Planning Commission. 2007. *A Social Protection Strategy to Reach the Poor and the Vulnerable*. Islamabad.

Source: Asian Development Bank.

B. Monitoring

60. **Project performance monitoring:** The current project and the additional financing are primarily focused on the UCTs. Therefore, monitoring of quarterly payments to beneficiaries is critical to the success of the overall project. The BISP payment system has improved significantly since it was first introduced in 2008-09. Initially, money was transferred through Pakistan Post's money orders. From that primitive system, BISP gradually upgraded its systems to smart-card, mobile-banking, debit card and now the biometric verification system (BVS). BVS has made monitoring easy as the system is updated real time. To further enhance monitoring, BISP's Monitoring and evaluation (M&E) wing has devised an in-house payment monitoring plan to conduct both the spot checks and process evaluation at payment touchpoints. A quarterly payment monitoring report is submitted to top management each quarter to highlight achievements, lags, and deficiencies.

61. The indicators for monitoring and evaluating the project performance, based on the project design and monitoring framework (DMF) above, will largely be same as selected for the current project because efficient, timely and corruption & error free UCTs is critical for the additional financing as it was for the current project. Enrolling new beneficiaries, ensuring timely payments, reducing leakages, improved communications with beneficiaries, speedy redressal of complaints, engaging third party evaluation studies, etc. will remain major concerns for BISP for the next three years. Additional financing will, however, add new indicators/milestones relating to the BGP and the PRU. The monitoring of the BGP will be based on indicators/milestones such as setting up of PMU, contracting of implementing agency, selection of beneficiaries, total asset transferred, number of people who availed skills training, business coaching, etc. For the PRU, the monitoring indicators/milestones will be hiring of the experts, identification of research gaps, engagement of research institutions and short-term consultants, the number of studies completed, etc.

62. **Compliance monitoring:** Compliance with covenants will be, as under the current project, monitored through the quarterly progress reports and regular ADB review missions.

63. **Safeguards monitoring:** The category C classification for the environment, involuntary resettlement and indigenous people for the current project, in accordance with the ADB Safeguard Policy Statement (2009), has been retained for the additional financing.

64. **Gender and social dimensions monitoring:** As in the current project, the gender action plan will be the basis of performance monitoring along gender dimensions. Quarterly progress reports to ADB will document progress towards gender action plan targets. ADB review missions will also assess progress of these targets.

C. Evaluation

65. The midterm review exercise, scheduled for Q1 2021 will assess the progress of project activities, outputs and outcome. The performance of the PRU will be reviewed based on the achievement of quantitative targets indicated below. Based on the findings of the midterm review, changes necessary for the achievement of targets before the project completion in September 2022 will be recommended.

66. **Midterm review of BGP:** The indicators and targets for the midterm review and project completion are presented in the table below.

Indicator	Baseline Value (2019)	Target Value Midterm (Q1 2021)	Target Value Project Completion (Q3 2022)
Output: Establishment of PMU, BGP (Recruitment of personnel)	None	All six experts hired and working at the PMU	All six experts working at the PMU
Selection of Implementing agency and beneficiaries	None	Implementing agency contracted and working with the selected beneficiaries	TBD
Asset transfers and skill trainings	None	30% of the beneficiaries transferred assets and/or provided skill trainings	100% of the beneficiaries transferred assets and/or provided skill trainings

Source: Asian Development Bank.

67. **Midterm review of PRU:** The indicators and targets for the midterm review and project completion are presented in the table below.

Indicator	Baseline Value (2019)	Target Value Midterm (Q1 2021)	Target Value Project Completion (Q3 2022)
Output: Establishment of PRU (Recruitment of experts)	None	All five experts working at the PRU	All five experts working at the PRU
Research Studies	None	Research institutions hired. At least 2 studies (health/family planning, education, social protection/ conditional cash transfers, water/family planning and gender/nutrition) ongoing and one research completed.	All five studies (health/family planning, education, social protection/ conditional cash transfers, water/family planning and gender/nutrition) completed
Short-term studies	None	TBD	TBD

D. Reporting

68. The BISP will provide ADB with (i) quarterly progress reports; and (ii) consolidated annual reports, that will include (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure project's continued viability and sustainability, project accounts and BISP's annual financial statements, together with the auditor's reports, should be adequately reviewed.

69. **Actions recommended for improving M&E in BISP:** To improve the monitoring and evaluation of the project, M&E wing has to be fully staffed at all times. The M&E wing is generally operating with many posts vacant, which hampers its efficiency and effectiveness. Furthermore, there is no representation of the M&E wing at the divisional and regional/provincial level. It is very

difficult for less than ten people sitting in Islamabad to properly monitor billions of rupees payments to the beneficiaries. It is suggested that at least one M&E assistant director/consultant be assigned to all regional/provincial headquarters. The capacity of the BISP tehsil offices, with respect to monitoring, is also inadequate. Hence, there is a need for regular capacity building of officials working at the tehsil level.

E. Stakeholder Communication Strategy

70. Stakeholder analysis. BISP is a multi-stakeholder, engagement-heavy program. To date, it has developed strong communication with the key stakeholders. There is also a new stakeholder, established in 2019: the Poverty Alleviation and Social Safety Division. The Division's mandate is to: (i) develop policies for and mainstreaming of social protection and poverty alleviation, and for designing innovative initiatives for poverty alleviation; (ii) coordinate with relevant stakeholders across sectors at federal and provincial levels, including other ministries as well as non-government actors; (iii) administer six poverty reduction and social safety institutions (BISP, *Bait-ul-Mal*, Trust for Voluntary Organizations, Pakistan Poverty Alleviation Fund, Center for Social Entrepreneurship, and Center for Rural Economy); and (iv) collect and disburse *Zakat* and *Usher* (Islamic social protection taxes) to provinces.

71. There are also detailed discussions with development partners, especially linking to the IMF agreement. On 12 May 2019, a \$6 billion 39-month Extended Fund Facility (EFF) Arrangement for Pakistan was reached with the International Monetary Fund (IMF).³⁰ The EFF emphasizes the importance of BISP recognizing that fiscal consolidation will entail reductions in public expenditure programs that could have an adverse impact on the poor and most vulnerable.³¹ The Government is committed to signing new banking contracts to make the disbursement of the unconditional cash transfers more efficient; these contracts will include provisions for improved communications with the beneficiaries. Existing contracts with banks have already been revised to ensure that beneficiary communication, through display of banners and posters indicating the cash grant per installment at the point of sale/branch/retailer outlets is provided by the banks to educate the beneficiaries about their cash grant amounts and the withdrawal mechanism so that they receive the full installment.

72. With the development of Nutrition and Education CCTs, there is increased engagement and communication between BISP/development partners and the provincial governments. BISP has established Nutrition and Education CCT committees that meet regularly to design and review implementation of the new initiatives.

³⁰IMF. 2019. *Request for an Extended Arrangement Under the Extended Fund Facility Staff Report*. Washington, D.C.

³¹IMF. Press Release No.19/157. <https://www.imf.org/en/News/Articles/2019/05/12/pr19157-IMF-Reaches-Staff-Level-Agreement-on-Economic-Policies-with-Pakistan-for-a-Three-Year-EFF> (accessed on 12 May 2019).

Figure: Stakeholder Analysis

Keep Satisfied	Manage Closely (Key Stakeholders)
Federal government (excluding ministries/divisions identified as key stakeholders) Provincial governments District governments Federal and provincial legislators Military and security agencies Auditor General of Pakistan	BISP beneficiaries (UCT, CCT, and BGP) BISP Management BISP Board Donors – ADB, DFID, World Bank International Monetary Fund Financial institutions (UCT) Implementing partners Ministry of Finance Ministry of Planning and Development Division of Poverty Alleviation and Social Safety BISP employees
Monitor	Keep Informed
General population Development partners assisting Pakistan in other areas	Political parties Civil society organizations Universities Researchers/Consultants

73. **BISP beneficiaries are the main stakeholders.** BISP UCTs are exclusively given to eligible females in the qualifying households. These beneficiaries are poor and mostly uneducated or illiterate, have poor awareness of their rights and a weak understanding of the program. This lack of awareness can lead to leakage from the system, ranging from ‘informal’ point of sales charges and deductions by vendors, to delayed, missed, or partial withdrawals of benefits. BISP is currently undertaking numerous communication strategies to help address some of these issues: the release of quarterly instalments is announced at mosques and on FM radio to try and ensure beneficiaries do not miss their payments; there are awareness posters at points of sale (the BISP M&E team verified that 57% were displaying them) and the government has also been sending text messages (SMS) to raise awareness and prevent fraud. These initiatives have not been assessed as of yet. However, the findings of a recent third-party beneficiary feedback and process review survey show that beneficiaries have limited knowledge of the grievance redress mechanism and eligibility for education CCT, as well as about the general program. The survey findings suggest that the low rates of literacy and low mobile phone ownership decrease the impact of the current awareness initiatives, highlighting the need to further develop an effective communication strategy.³²

74. Currently, BISP is implementing education CCTs under its Waseela-e-Taleem program in 50 districts. As part of this initiative, there are informal BISP Beneficiary Committees (BBCs) that have been developed in each district. This project will work with the BISP media and communication wing to directly engage with these BBC in a regular and sustained manner to increase their awareness of the program, their understanding of their rights, and their ability to navigate effectively through the system including the complaints and grievance mechanisms. The

³² Stakeholder consultation workshop jointly organized by BISP and DFID on 24 July 2019 at Islamabad to share the findings of the survey and discuss action plan to address the issues.

media and communications wings will also coordinate with the M&E wing and with PRU to identify new, effective mechanism of outreach and engagement.

75. Policy Research Unit as stakeholder liaison and knowledge hub. A Policy Research Unit (PRU) will be established under this project. The PRU is to work with the relevant stakeholders of BISP – including the federal and provincial government stakeholders, non-government stakeholders, development partners, academia, and others – to develop evidence-based policy recommendations and findings that are to be presented to BISP Management and BISP Board. The PRU provides a focal point in BISP to engage with multiple stakeholders; findings of the PRU are to be regularly disseminated with all stakeholders as well as being regularly uploaded to the BISP website. PRU is also expected to attend and hold regular forums for policy dialogue and information exchange. The PRU will also assist the media and communications wing of BISP in developing effective and impactful policies, including more effective engagement with the beneficiaries.

76. BISP Business Strategy to help clarify internal roles and external communications. As a preliminary step to this project, a TA will be provided to develop a BISP strategic business plan. This will help clarify internal roles, lines of responsibility, and communication within BISP, and increase timely sharing of key findings between the various wings, and with the Board. The Strategy will also assist in stream-lining communications and support with and between development partners, with a clear outline and mapping of BISP priorities and planned activities. The Strategic business plan will also clarify how BISP engages with the Poverty Alleviation and Social Safety Division and other social safety and poverty reduction entities.

Project Documents	Means Communication	of	Responsible Party	Frequency	Audience(s)
Project data sheet (PDS)	ADB's website		ADB	Initial project data sheet posted on the website no later than 2 weeks after approval of the concept paper; updated at least twice a year	General Public
Design and Monitoring Framework (DMF)	ADB's website		ADB	Key information from the draft reflected in project data sheet; final version posted on the website at the same time it is circulated to the Board for approval, subject to the concurrence of the government	General Public
Legal Agreements	ADB's website		ADB	Posted on the website no later than 2 weeks from their signing, after removing any information falling within exceptions at the time of the negotiations	General Public
Report and Recommendation of the President (RRP)	ADB's website		ADB	Posted on the website at the same time it is circulated to the Board for approval, subject to the concurrence of the government	General Public
Summary of Poverty Reduction and Social Strategy	ADB's website		ADB	Posted on the website at the same time it is circulated to the Board for approval, subject to the concurrence of the government	General Public
Procurement requirements	ADB's website for notice (CAN/SPN), invitation for bids (IFB), Local newspaper advertisement		ADB BISP	Available online (current and archive)	General Public, potential consulting individuals and firms
Consulting requirement services	ADB's website for recruitment notice (CSRN) for expression of interest		BISP	When required	General Public, individual consultants and firms
Project Administration Manual	ADB's website		ADB	Posted on the website at the same time it is circulated to the Board for approval, subject to the concurrence of the government	General Public

Project Documents	Means Communication	of	Responsible Party	Frequency	Audience(s)
Audited project financial statements and the auditors' report	ADB's website		ADB	Within 30 days of receipt	General Public
Project Completion Report	ADB's website		ADB	Within 2 weeks of circulation to the Board for information	General Public
Evaluation Report	ADB's website		ADB	Within 2 weeks of circulation to Management and the Board	General Public
Findings of PRU Research	Dissemination workshop BISP website		BISP	When completed and approved for dissemination by BISP management	General public

77. Project information will be disclosed in line with the requirements listed in the ADB *Public Communications Policy 2011*.

X. ANTICORRUPTION POLICY

78. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.³³ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.³⁴

79. To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the Project.

XI. ACCOUNTABILITY MECHANISM

80. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.³⁵

XII. RECORD OF PAM CHANGES

81. The original scope of the project included a UCT component, two poverty graduation components (for health and skills development: the *Waseela-e-Sehet*, a health insurance program and the *Waseela-e-Rozgar*, a skills development program), and an institutional strengthening component. *Waseela-e-Sehet* and *Waseela-e-Rozgar* were later replaced by the BISP Graduation Program (BGP) through minor change in scope on 8 December 2017. The ongoing project was subsequently restructured with 3 outputs: cash transfer program expanded (Output 1), the BGP implemented (new output 2) and financial management and control systems and policy research improved (new output 3).

³³ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

³⁴ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

³⁵ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>

FINANCIAL MANAGEMENT ASSESSMENT OF THE BENAZIR INCOME SUPPORT PROGRAM

Asian Development
Bank July 2019
FINANCIAL MANAGEMENT ASSESSMENT

Executive Summary

1. The Asian Development Bank (ADB) plans to support the Government of Pakistan (GOP) in implementing the national social safety net program, the Benazir Income Support Program (BISP). The Project will enable the expansion of the unconditional cash transfer program, developing and expanding CCT program, contribute to further improvements in financial management (FM) and control systems of BISP for mitigating risks of error fraud and corruption (EFC) and policy research functions. A financial management assessment (FMA) has been carried out to review the capacity of the executing / implementing agency (IA) – Benazir Income Support Program (BISP) – as regards its system and procedures for financial management (FM), internal controls, internal and external audit. BISP is a body corporate having perpetual succession and common seal with the power to acquire and hold property, established under BISP Act 2010. It focuses on fund flows, staffing, accounting policies and procedures, internal controls, financial reporting and monitoring, and internal and external audit.

2. This assessment draws from previous country and financial management assessments, including recent assessment by other independent bodies of the executing and implementing agencies. Earlier assessments have identified risks for the project that include: (i) budget variances; (ii) weak internal control; (iii) inadequate and delayed allocation of releases from Federal Government; (iv) complex funds disbursement mechanism; (v) weak FM capacity and lack of infrastructure to manage FM arrangements and to implement modern practices; (vi) non-compliance with international financial reporting framework and non-preparation of financial statements; and (vii) non-functioning of internal audit as per international standards for internal audit.

3. This assessment shows that the overall financial management system of the BISP to implement the project is generally adequate yet the financial management capacity is **weak** that need to be supplemented by dedicated accounting staff to mitigate this risk. This assessment has been informed by discussions with concerned officials of the Finance and Audit Department in BISP, also draws from lessons learnt during the implementation of the first project and the FMA questionnaires of BISP.

4. The assessment overall finds the project FM risk, pre-mitigation, to be **substantial**. This results from the following specific FM weaknesses and related fiduciary risks which have been identified:

Staffing – The finance/accounting and audit staff of BISP is hired on deputation from other departments. After completion of three years, they are transferred to other departments. After the transfer of trained staff, they are replaced with new one that lacks knowledge of and experience with the FM requirements and procedures of externally-funded projects, including ADB projects. In other cases, BISP has hired the consultants through donors technical assistance support as a temporary arrangement.

Accounting – BISP Currently is preparing financial statements on cash basis system of accounting. The existing system will not ensure in the long run the strengthening of the financial management system and effective safeguard of BISP assets.

Internal audit – The internal audit department is not having qualified trained professionals from market those are well conversant with international standards of auditing. Further, a key position of Director Internal audit is lying vacant since long that is putting extra burden on other personnel. Non-hiring of key Internal audit staff leads to compromising on the quality of internal audit, which means a lack of assurance to BISP management that the FM system and processes is effective and adequate. Similarly, audit observations³⁶ (paras) raised by Office of Auditor General of Pakistan are pending for clearance since long either at Public Accounts Committee / Department Accounts Committee (DAC). Most of the audit staff is not well-conversant with IT based internal audit system.

Reporting – BISP's Accounting and Finance Section requires up to three months to prepare financial reports which limits the value of reporting to monitor budget performance.

Information systems – BISP has no integrated FM information system in place, and quick books accounting module/spreadsheets are only used sporadically, which increases the risk of errors and results in longer processing time.

External audit – The external audit conducted by a firm of Chartered Accountants for FY2017 and FY2018 was delayed by two years. Financial statements communicate crucial information about the financial health of the organization. Financial statements must be made available to stakeholders in time so that they can use the information reported therein to make important decisions. No matter how informative or well-prepared, the value of a financial report depreciates if it is not made available in time for users to make informed decisions. Therefore, the usefulness of published corporate financial statements depends on their timeliness as well as their accuracy. The delay of over two years indicate deficiency in the overall financial management This undermines the purpose of external audit in terms of the credibility of the financial statements and the accountability of BISP in its role as EA /IA.

5. The following specific mitigation measures are proposed to address the identified FM weaknesses:

Staffing – BISP to develop and implement a comprehensive human resource policy for Finance and Audit department to ensure that the majority of staff in both the department is hired on permanent basis (*On merit and market based salary package*). ADB and BISP can consider and implement measures to build up the capacity of the Accounting and Finance Section so it, over time, will be able to manage foreign-funded projects.

Accounting and financial reporting – BISP to shift from cash basis system of accounting to accrual basis system of accounting. BISP to hire a professional firm to help in shifting from existing system to preparation of IFRS complied financial statement. The FM Manual and ³⁷Financial Regulations to be revised to be in line with the new system of accounting including project-specific FM manual, or guidance note taking into account the implementation experience from the on-

³⁶ The audit reports from office of Auditor General of Pakistan and the nature of audit observations / Paras that are yet to be cleared at the level of PAC are not yet shared.

³⁷ Benazir Income Support Programme Financial Regulations 2017 (BISPFR).

going ADB-financed projects. ADB can assist BISP in revision of the manual and approved by BISP Board of Directors.

Internal audit – Key Position of Deputy Director Internal Audit to be filled. Internal Audit wing to be revamped with more than 50% of appointments should be made on open merit basis by hiring professionals from market (regular employees having qualifications such as Chartered Accountant or Cost and Management Accountant). All types of Audits are proposed to be handled by the Internal Audit Department as currently Office of DG (F & A) is handling the audit being conducted by Chartered Accountant firm. External auditors always consider the effect of the client's internal audit work and opportunities to utilize the direct assistance of the internal audit function when planning and conducting audits. The quality of internal audit has a direct effect on the accuracy, quality and timeliness of the external audit work. Capacity building of Internal Audit department of BISP is required to conduct audit in a fully automated system. BISP should devise an effective mechanism to ensure the maximum settlement of audit paras raised by Office of Auditor General of Pakistan at working group level rather than keep their settlement lingering at the level of Public Accounts Committee. BISP and ADB can jointly work for the overall revamping of the BISP's Internal Audit Unit covering development of mechanism to streamline audit activities, including ADB-financed projects, and operationalize a suitable approach if/as agreed.

Information systems – BISP will prepare and implement an IT policy, hiring of MIS Audit Firm, and deployment of an integrated ERP system.

External audit – BISP to ensure the completion of audit of financial statements within four months from the closing of financial year. BISP to hire external auditor's Chartered Accountant Firm of international repute to increase credibility of financial statements among the stakeholders. **ADB and BISP can work on Terms of Reference of External Auditor to ensure the hiring of audit firm of international repute.**

A. Introduction

7. This FMA reviews the systemic and procedural capacity of the EA / IA as regards planning and budgeting, accounting, internal control, financial reporting, internal audit, and external audit. On this basis recommendations are made to address identified deficiencies. The FMA also reviews the funds flow arrangements and disbursement procedure of the project.

8. The assessment was conducted desk-based in July 2019 and followed ADB's Financial Management Assessment – Financial Management Technical Guidance Note³⁸. The FMA questionnaire (FMAQ) was filled-in by the TA team in consultation with BISP and subsequently revised by the assessor based on discussions with ADB.

9. A key aspect of the FMA is evaluating the risks associated with project financial management arrangements. **ADB's principal concern is to ensure that project funds are used economically and efficiently for the purpose intended.** In support of this, it seeks assurance that the EA and IA financial management systems can report on the source and use of project funds. This assessment is based on the results of an FMA questionnaire, discussions with officials of BISP, and information available through various reports, manuals, regulations, and annual financial statements, audit reports and previous assessments.

³⁸ Manila – May 2015.

B. Brief Project Description

10. The proposed project will be implemented by BISP under guidance from the EAD in its role as the EA. The Project will enable the expansion of the unconditional cash transfer program, developing and expanding CCT program, contribute to further improvements in financial management and control systems of BISP for mitigating risks of error fraud and corruption (EFC) and policy research functions. The project will have following outputs covering several sub-projects:

- (i) **Expanding UCTs:** As of January 2019, BISP had disbursed a cumulative total of PRs 537. 57 billion through the unconditional cash transfers to over 5.6 million families. The additional financing will continue to provide a financial cushion in the form of UCTs to the poorest of the population.
- (ii) **Developing and expanding CCT Program:** CCTs have a direct impact of the actual reduction of poverty and the government in its focus targets the improvement of human capital (improved health, education, and nutrition). Improved human capital leads to a decrease in inter-generational poverty. Additional financing will support the government in its efforts to expand the CCTs to the health and educational sectors.
- (iii) **Institutional strengthening to support cash transfers:** Additional Financing will also support BISP government in institutional strengthening to improve the policy making and mitigating any risks.

11. The project cost is estimated at \$ 204.5 million. Based on the tentative financing plan, ADB will fund \$200 million from its concessional ordinary capital resources, while the GOP will finance \$4.6 million. The planned implementation period is 2019-2023 with BISP as the executing agency.

C. Country and Sector Financial Management Issues

12. ADB's Pakistan Country Partnership Strategy (CPS) for 2015-2019 notes Inadequate public financial management systems, vulnerability to corruption, and lack of capacity in government entities—particularly with decentralization—could pose a risk to CPS implementation. ADB's policy-based operations and TA loans directly address some of these risks by supporting reforms and capacity development to improve the financial soundness and performance of the energy sector and PSEs. ADB is providing TA to improve the government's procedures and systems on procurement and safeguards. Measures were designed and incorporated in ADB projects to address sector-specific risks and help improve integrity and accountability.

13. Risk Assessment undertaken indicates risks related to (i) shortfalls in tax revenue, as well as large subsidies and transfers to PSEs (including in the energy sector) reduce budget credibility and lead to uncertainties in project planning, (ii) the gap between projected and actual revenues and expenditures leads to expenditure cuts and unpredictable funding allocations for development programs, and (iii) Insufficient authority given to and inadequate capacity within internal financial control and audit units within line ministries, departments and agencies could reduce their effectiveness in financial management, control of expenditures, and accountability, raising the risk of misuse of funds

14. Government Strategy focuses on (i) strengthening of governance through reforms in public, financial, and economic institutions, including increased transparency and accountability in public sector enterprises for a level playing field with private enterprises, (ii) Increased resilience of female BISP beneficiaries and their families, and (iii) to increase average per capita consumption expenditure of BISP beneficiaries by 5% in 2018.

15. Social protection is an integral part of the government's poverty reduction strategy. Starting in 2007, the government increased spending on social protection, established a new institutional framework to effectively manage social protection through direct transfers, and approved the National Social Protection Strategy. In October 2008, the government launched the Benazir Income Support Program (BISP) as the national social safety net program. The main BISP intervention is a cash transfer program providing PRs1200 per month to female household heads. The BISP identified 7.2 million eligible poor families, 2.4 million of which are not yet receiving the cash transfer because the female family head lacks a computerized national identity card, which is a key eligibility criterion. A well-managed targeting system will enable the replacement, over time, of other inefficient social safety net programs and untargeted subsidies that are remain pervasive in Pakistan. The BISP is piloting several graduation initiatives for health insurance, skills development training, small business development loans, and primary education co-responsibility cash transfers.

D. Project Financial Management System

16 This chapter presents the main strengths and weaknesses of BISP's FM system and procedures in its role as EA/ IA.

1. Overview

This section provides a short narrative description of the country PFM system as applied at the entity-level.

17. Organization and staff capacity. BISP is a body corporate having perpetual succession and common seal with the power to acquire and hold property, established under BISP Act 2010. The organization is divided into various main divisions – Finance & Accounts, Internal Audit, Cash Transfers, Monitoring and Evaluation, Conditional Cash Transfers, NSER, Administration, Human Resources and Complimentary Initiatives.

18. BISP Accounting and Finance Section is an independent department headed by a Director General (BPS – 20). Key staff comprising 3 Directors, 2 Deputy Directors 3, 1 Assistant Director, 2 Accounts Officers, 4 Assistant Accounts Officers with support from lower staff. Internal Audit Department is headed by a Director General (BPS -20). It has staff strength of **21** comprising 2 Directors, 2 Deputy Directors, 7 Audit Officers and 5 Assistant Audit Officers supported by lower staff. An organization chart related to Finance Department is included in **Annex A**. BISP considers the staff nomination of the Accounting and Finance Section adequate given its present tasks and work-load. The staff is likewise viewed as appropriately qualified and experienced, except as regards externally financed projects. Staff turnover is low and some key staff have been employed in BISP before 2016. The training mechanism is devised by office of Director Training working under the Director General (Administration). The tenure of staff is three to five years.

19. Information management. The FM tasks of the Accounting and Finance Section are exclusively carried out manually using ledgers and other paper-based records. Like most of other GOP entities, BISP has weak computerized financial management information system (FMIS) in

place, and spreadsheets are also used sporadically and for financial reporting purposes. The lack of computerization results in time consuming bookkeeping and reporting procedures (preparing financial report usually takes up to three months). BISP has already initiated process to implement Enterprise Resource Planning (ERP) to integrate various modules like Accounting, HR, Fixed Assets, Procurement and Administration which are currently being using in isolation. Since BISP has customized MIS on needs basis, integrated with banking system which is a core business and will remain intact even after implementation of ERP.

20. BISP retains accounting records as per its³⁹ internal policy for appropriate length of time as per statutory requirements, are properly and effectively identified, processed, stored and preserved. Important documents, such as legal agreements, are retained for a longer period.

21. Budgeting and funds flow arrangements. In accordance with approved BISP Financial Regulations-2017, head wise budget is prepared and approved by BISP Board. Complete Budget Cycle from planning to approval is followed. Moreover, initiative wise budget and operational budget is also prepared in line with the approved chart of Account by Federal Government.

22. In terms of budget execution, actual expenditures are compared to the budget on a quarterly basis. Significant variations between the budget and actual are reported to Board, and approvals for significant variations from the budget must in principle be sought in advance, although it is not clear that this is done. However, BISP reports that it generally has no issue spending government budgets (i.e. there is no systematic over- or under-budgeting).

23. BISP financial management system has improved over the period of time and there is proper fund flow system for reporting by Donors. ADB marked beneficiaries have separate IDs and those can be tracked by ID, by Cheque and by CNICs, as such a system exists for proper tracking and disbursement. There is delay in releases from Federal Government that have affected fund flow timeliness. Funds from the BISP accounts are transferred to bank account (Limited Mandate Account 1 [LM-1]) and then within five working days, fund are transferred to beneficiary's bank account (LM-2).

24. For pre-audit proper checklist has been mentioned in Financial Manual which is followed before processing transactions for payment. Roles and responsibility has been segregated. Reconciliation with Pakistan Post is carried out half-yearly. Financial Management Specialist was hired in consent with ADB during the year 2015-2017, however, since April-2017, responsibilities has been assigned to internal resource person. Proper financial management as per procedures of ADB are followed in all transactions

25. Accountability measures. The BISP accountability framework consists, inter alia, of a legislative framework that includes the BISP Act, 2010 and NAB Ordinance, 1999. The law defines the term 'corruption'. However, both the NAB law and BISP Act does also not deal with conflict of interest and related-party transaction issues. Board of Directors has approved the conflict of interest policy and Financial Regulations called as Benazir Income Support Programme Financial Regulations 2017 (BISPFR) that governs the financial and audit operations of BISP. **However, the term corruption and corrupt practices are not defined in BISPFR.**

26. Another accountability element is Parliament's legislative scrutiny through Public Accounts Committee (PAC), which constitutionally provides checks and balances vis-à-vis executive branch activities. However, Parliament's role in the budget process is limited as it lacks

³⁹ Financial and Accounting Manual

the technical capacity as well as the political will to control how the government budget is allocated. Also, while the PAC undertakes scrutiny of external audit reports, the BISP remains only semi-independent as its budgeting depends on the Federal Government approvals and release of funds.

27. **Appointment of Senior Accountable Officer (SAO):** BISP may appoints a senior official at Head Quarter level as the senior accountable officer for preventing, detecting, deterring and monitoring EFC, reporting to the Secretary/Board. Senior Accountable Officer will be responsible (i) for EFC accountability control, creates a strong focus on preventing, detecting and monitoring the FC across programmes, and having accountability to report on EFC to the head of organization, (ii) to review all the existing procedures, systems, manuals, policies and guidelines to identify the gaps and to propose measures for their revision to be in line with best international practices and BISP requirement.

28. Overall, despite the initiatives undertaken since 2011 and the fact that government has become more responsive to social sector organizations, accountability (and transparency) remain weak. In general, in the areas of PFM, procurement and anticorruption, the GOP needs considerable reform and significant capacity building as well as strengthened coordination between relevant institutions.

2. Strengths

29. The following strengths of BISP's FM arrangements have been identified (based on the FMAQ as well as, more generally, on the functioning of the BISP and GOP's FM system:

- Board of Directors has approved the Benazir Income Support Programme Financial Regulations 2017 (BISPFRR) that governs the financial and audit operations of BISP.
- The annual planning and budgeting process of BISP is relatively well-functioning and is governed under BISPFRR.
- BISP's finance/accounting staff are sufficiently experienced to implement FM as per GOP requirements, and turnover among key staff is low.
- BISP's accounting and internal control procedures are based on national requirements, and functions are adequately segregated.
- The process of preparing financial reports is well-documented, adequate and applied with sufficient rigor to give some confidence in the accuracy of aggregate records.
- The external audit of foreign-funded projects is undertaken by the Office of Auditor General of Pakistan (AGP) and hence based on country systems.
- Other Donor agencies have carried out fiduciary assessments that provide the basis for improvement and strengthening of financial management system.
- Over the period of time the payment verification system has improved

30. These elements are thus considered relevant for ADB to rely on for project implementation as they are well-developed and competently applied.

3. Weaknesses

The following weaknesses of the BISP's FM arrangements have been identified:

- External Audit of BISP from firm of Chartered Accountant is not being completed in time and for FY2017 and FY2018 was delayed by two years.

- Audit Observations raised by Office of Auditor General of Pakistan are not being settled timely.
- BISP accounting and internal control manuals and documentation requires up-dation.
- The internal audit function set up within BISP is relying on employees transferred in BISP on deputation, hence indicating very weak internal control. Further, Internal audit staff is not well trained in IT based internal audit system. Similarly, most of the accounts staff in BISP is employed on deputation basis.
- It takes the Accounting and Finance Section up to three months to prepare financial reports and financial statements are not being prepared on monthly basis.
- BISP has no integrated computerized FM information system, with other departments.
- There is no Financial Management Specialist for graduation that is professionally qualified.
- The criteria for appointment of members of Board of Directors in BISP Act 2010 is not elaborated.
- There is no approved manuals for conditional and unconditional cash transfers.
- The agreements with partner banks are renewed for a period of 3-6 months and in some cases, the renewal of agreement is not made on timely basis. During this period, the payment to beneficiaries is stopped.
- Existing agreements with partner banks are not made by following competitive bidding process.
- BISP does not have an approved assets insurance policy.
- There is no senior level accountability officer within BISP.
- Budget Scrutiny Committee⁴⁰ is not yet constituted as required under BISPFR.

31. ADB cannot rely on these elements for project implementation, and they should hence be improved.

4. Personnel, Accounting, Internal Control, Internal Audit and External Audit

32. This section reviews specific elements of the BISP's FM systems and procedures, taking into account the expected role and responsibilities of the BISP's Finance and Account Department.

33. **Personnel** – The Accounting, Finance and Audit Section of BISP are adequately staffed but are mostly appointed on deputation basis and are handling all the areas related to disbursements, accounting and financial reporting. BISP will require a dedicated FM specialist for the purpose of managing ADB portfolio. The specialist will specifically be responsible for program level reporting while ensuring that ADB financial policies and procedures are followed, and adherence to the Loan Disbursement Handbook. BISP is in its graduation phase and it is right time for BISP management to introduce technology-based solutions into their operations. In order to improve the capacity of finance and audit department, two dedicated finance/accounting specialists will be engaged to undertake the FM tasks including the project related jobs. The candidates hired should have professional qualifications and a minimum experience of of ten years relevant work experience, including experience with donor-funded projects, preferably from previous ADB projects.

⁴⁰ Regulation 15 © of Benazir Income Support Programme Financial Regulations 2017.

34. To the extent that the preferred candidates for the finance/accounting specialist position would not have previous experience with ADB projects, guidance and training on ADB procedures (as per the Loan Disbursement Handbook) should be provided, preferably prior to project start. This should include imprest account management and procedures, statement of expenditure (SoE), withdrawal applications, financial reporting, and external audit. Training wing has been established in BISP and refresher courses on Financial matters are conducted on short-term basis to update the latest information regarding Financial Management. In addition to this, BISP is also facilitated by World Bank in training of internal resources, however, day to day activities are carried out by staff only.

35. **Accounting** – The BISP's basis for accounting is cash. Cash basis of accounting system has been implemented in accordance with IPSAS-II Standards. However, from next year BISP is also adopting accrual basis of accounting for financial reporting to different stakeholder. BISP is also following the Benazir Income Support Programme Financial Regulations 2017 (BISPFR) that governs the financial and audit operations of BISP. It has its own customized MIS system integrated with Banking system, which was designed as per specific needs of the organization. Now process of implementing ERP system has been initiated.

36. Being a Public Sector entity, the principle of delegation of power is exercised which is reviewed from time to time. Check signatories are also on deputation and not regular employees of the BISP. In accordance with BISP Act and BISP Financial Regulations, two types of budget are prepared i) For Finance Division which is single line and ii) Detail head-wise budget for approval of Board is prepared based on demands received from various Wings of BISP.

37. Since BISP has no internal recourses of revenue generation. All the funding is received through Government of Pakistan as per budget allocation on yearly basis. The receipts are recorded upon quarterly release received from Finance Division. As per approved Financial Manual proper supporting documents with vouchers are retained. Project based banks accounts are maintained. In accordance with Financial manual imprest account is maintained for petty purchases. Reconciliation is made and submitted along with recoupment.

38. Payroll is prepared monthly by BISP based on personnel records, and processing involves the Administration, Accounting and Finance, and Human Resources Sections. Authorization controls exist for the preparation of the payroll as well as for changes to the payroll.

39. BISP maintains a Fixed Assets Register that is updated periodically. Subsidiary records (fixed assets, inventories and stocks) are kept up-to-date as changes occur. Reviews of physical inventories are undertaken on regular basis, and reconciliation vis-à-vis registers done. **Assets are not covered by insurance policies.**

40. BISP maintain separate accounts and records for all expenditures incurred by the project. The basis of accounting to be applied by the BISP is cash, and reports to the GOP and ADB are prepared on that basis.

41. **Internal control** – BISP's accounting procedures include internal control procedures such as for preparing and approving payment transactions. All payments are reviewed by BISP's Accounting and Finance Section, including by making comparisons with the budget estimates, before payments are authorized. Other controls follow from the general ledger and subsidiary ledgers being reconciled on a regular basis.

42. Duties are segregated in that functional responsibilities are performed by different staff within the Accounting and Finance Section, including to authorize the execution of transactions, record these, take custody of the involved assets, and reconcile bank accounts and subsidiary ledgers. Also, the functions of ordering, receiving, accounting for, and paying for goods and services are appropriately segregated between staff and units. As mentioned, BISP use petty cash which mitigates risks. BISP has no internet banking facility. As regards the reconciliation processes undertaken in preparing financial reports, these are well-documented, appear adequate, and are applied with sufficient rigor to give some confidence in the accuracy of aggregate records. BISP has separate policy for the protection of assets.

43. Auditor General of Pakistan in its report for the FY 2016-2017 has identified instances of weak internal control. These include (i) irregular payment of Rs. 1.67 billion made to partner banks that were not engaged through competitive process (ii) un-authorized utilization of lapsable balance of Rs. 3.619 billion made in contravention of Finance Division O.M No F.2(I)-BR-II /2007-949 dated 2 August 2013, and (iii) Non-provision of audited financial statements by Chartered Accountancy Firm.

44. Internal audit – BISP have an internal audit function in place with audit charter and internal audit manual approved by Board of Directors. Internal audit is carried out on annual basis and the audit for FY 2017-2018 has been completed. Internal Audit department reports to audit committee. It has categorized the risks based on personal judgement, number, nature and volume of transactions into high, medium and low level. HR activities are categorized as medium risk activities, whereas, cash transfers and procurement under NSER contracts are rated as high. The internal audit wing does not have qualified trained professionals from market who are well conversant with international standards of auditing. Further, a key position of Director Internal audit is vacant since long which is putting extra burden on other personnel. Non-hiring of key internal audit staff leads to compromising on the quality of internal audit, which means a lack of assurance to BISP management that the FM system and processes are effective and adequate. Similarly, audit observations (paras) raised by Office of Auditor General of Pakistan are pending for clearance since long either at Public Accounts Committee / Department Accounts Committee (DAC).

45. External audit – Entity-level financial statements are audited annually by the Office of Auditor General of Pakistan, which also undertakes some performance audits and other types of external audits. Auditees are required to respond to AGP's audit findings and recommendations within specified time.

46. The External Audit is carried out annually besides fiduciary assessment and impact is also monitored. AGP's entity-level audit reports on BISP have not been available for review. external audit conducted by firm of Chartered Accountant is delayed by two years. Financial statements communicate crucial information about the financial health of the organization. Financial statements must be made available to stakeholders in time so that they can use the information reported therein to make important decisions. No matter how informative or well-prepared, the value of a financial report depreciates if it is not made available in time for users to make informed decisions. Therefore, the usefulness of published corporate financial statements depends on their timeliness as well as their accuracy. The delay of over two years indicate deficiency in the overall financial management This undermines the purpose of external audit in terms of the credibility of the financial statements and the accountability of BISP in its role as EA /IA. However, BISP management is working actively to improve the coordination for timely completion of external audit.

5. Financial Reporting Systems, including Use of Information Technology

47. As noted above, the Accounting and Finance Section of BISP does not have an integrated ERP system FMIS in place. All bookkeeping tasks are done through basic level of accounting software. While reporting is done on a quarterly and annual basis, the lack of computerization means that the processes of aggregation and reconciliation can take up to three months. This significantly delays the production of reports and has as a consequence that limited analysis is undertaken which weakens the usefulness of reports for management.

48. BISP Financial Regulations and manual define procedure and guidelines for documenting all types of financial transactions. Guidelines up-dation is a continuous process. Further no payment can be made/released before completing documentation. Record is kept in both hard and soft in an organized and secured manner as per approved policy. organization is in the process to follow all applicable legal requirements in light with BISP Act, Financial Regulations.

49. Overall Strengthening of MIS & IT system: As entire treasury and operations is managed through an automated system, one of the core area for utilization of additional financing is to strengthen the MIS and IT system which may include such areas like automatic reviews of beneficiaries whose payments are not collected for two successive months to identify errors and frauds, full cross match of beneficiaries against deaths reported to NADRA, collecting and managing deaths reported from UC's, effective assets inventory management system, reconciliation of data with banks and effective management of payment system through development of payment verification interface to verify individual and overall payments disbursed to beneficiaries quarterly.

7. Funds Flow Mechanism and Disbursement Arrangements

50. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time), and detailed arrangements agreed upon between the GOP and the ADB. ADB funds will be managed by the BISP using the imprest fund and statement of expenditure (SoE) procedures of disbursement.

51. For the administration of the ADB loan, BISP established an imprest account in US dollars in National Bank of Pakistan that is acceptable to ADB. The account is established, managed and liquidated in accordance with ADB's *Loan Disbursement Handbook*, and detailed arrangements agreed by the GOP and ADB. The imprest account is used exclusively for ADB's share of eligible expenditures. BISP is and will remain accountable and responsible for proper use of advances to the imprest account.

52. The FMA overall finds that BISP has FM weaknesses and related fiduciary risks. The SOE procedure is therefore used for reimbursement of eligible expenses and liquidation of advances to the imprest account. In line with ADB's *Loan Disbursement Handbook* (2015), it is proposed that a ceiling in the equivalent of \$ 100,000 per individual payment be applied on the use of the SOE procedure. Supporting documents and records for expenditures claimed under the SOE procedure must be maintained by BISP and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

53. For efficiency reasons, the minimum value per withdrawal application is \$100,000 equivalent, unless otherwise approved by ADB as it reserves the right not to accept withdrawal applications below the minimum amount.

54. BISP maintains the data of ADB beneficiaries separately. MIS department provides the complete MIS and based on that BISP made the payment from imprest account. BISP credits the LMA-1 account of the bank and from there within 5 days, the payments are transferred to LMA - 2 account (Beneficiary account). There are three types of the beneficiary account, (i) Through Benazir Debit Card, (ii) Biometric verification account from POS, and (iii) Mobile banking. BISP is also disbursing through the Pakistan Post Office (Money order) in far flung areas.

55. Fund level reconciliation is carried out including all mode of payment i.e. BDC, BVS and mobile banking on tranche basis with partner banks. In BISP, overall financial management system has been improved with the passage of time and there is proper fund flow system for reporting by Donors.

E. Risk Description and Rating – Including the Financial Management and Internal Control Risk Assessment

56. This assessment rates the degree of fiduciary risk that is associated with each financial management issues and challenge identified. In line with accepted definitions of fiduciary risk, this assessment grades the likelihood that BISP funds are “*not used for the intended purpose, do not achieve value for money, or are not properly accounted for*”. The assessment analyzed each public financial management (PFM) element to identify issues / weaknesses that have the potential to adversely affect the fiduciary comfort of Government, BISP Management and international donors. The overall risk assigned to each issues is determined on the basis of underlying type of fiduciary risk, which though subjective, provides sufficient evidence for the risk grading. **In ADB’s perspective fiduciary risk is the risk that funds will not be used for intended purpose, with due regard to efficiency and effectiveness.**

57 The review shows that the GOP’s PFM system and the FM procedures applied by BISP overall have many weaknesses. These and the resulting fiduciary risks are summarized as follows:

Summary of Risks and Mitigating Measures

Inherent Risks			
Risk	RA*	Risk	Risk Mitigation Measures
Country Specific Risks	H	(i) Risk of Corruption in Public Sector Entities is considered significant in Pakistan.	(i) At the country level, Pakistan’s National Accountability Bureau and the Auditor General of Pakistan are the highest anticorruption agencies in the country led by Constitutionally-appointed Heads of Organization. They are is tasked with investigating allegations and incidences of fraud and corruption.
Entity Specific Risks	M	(i) Significant Delays in release of the funds by Federal Government.	(v) With the creation of Social Safety and Poverty Alleviation Division, the release of fund can be expedited through development of a proper mechanism with Finance

		<p>(ii) Delinquencies in external audit process, significant detection risk, and limited beneficiary awareness of EFC risks and controls.</p> <p>(iii) Budget Scrutiny Committee is not constituted as required under Financial Regulations.</p>	<p>Division in line with Financial Regulations</p> <p>(vi) Not later than 6 months after loan effectiveness date, BISP shall develop and implement a comprehensive and dynamic Risk Management Framework that integrates a consistent monitoring and reporting mechanism with the feedback generated by the various governance, accountability and monitoring organs of the organization.</p> <p>(vii) Principal Accounting Officer and Director General (F&A) to constitute the Budget Scrutiny Committee.</p>
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Overall Inherent Risks – Substantial			
Control Risks			
Executing Agencies	H	(i) BISP has not yet implemented an integrated Enterprises Resource System (ERP).	(i) Based on approved technical feasibility study, MIS wing under guidance from Board of Directors to develop the integrated solution.
Fund Flow Mechanisms	M	<p>(i) Current service level agreements with banks are not finalized through competitive process. These agreements are being renewed by banks on short term basis until the finalization of hiring process through competitive bidding.</p> <p>(ii) BISP is still using the services of Pakistan Postal Services to remit the funds to beneficiaries in far flung areas through money order. There are chances of misuse of funds and delays in reconciliation.</p> <p>(iii) Cash Transfer manual (conditionals and unconditional) are not yet approved by Board.</p> <p>(iv) The service level agreement with NADRA does not cover the backups and disaster recovery plan.</p>	<p>(iv) BISP to finalize the service level agreements with bank/s on long term basis through competitive process.</p> <p>(v) BISP to engage the services of more commercial banks with sound rating and expertise in this field by following the competitive bidding process.</p> <p>(vi) BISP Board to approve the cash transfer manuals</p> <p>(viii) Agreement to be amended with NADRA to include the provision of backups and disaster recovery plans.</p>
Staffing and Organization	H	(ii) Most of the staff hired on key positions in Finance and Audit Department are on deputation, and (ii) key position of a second Director of	(ii) BISP to develop its own regulations, policies and manuals to hire BISP staff (as regular employees) and ensure that all the key positions are filled.

		Internal Audit remained vacant for a long time but has been recently filled	
Accounting Policies and Procedures	M	(ii) BISP is following cash basis of accounting system	(ii) BISP to develop a roadmap to migrate from cash basis to accrual basis of accounting system within 12 months after loan effectiveness.
External and Internal Audit	H	<p>(i) Audit findings raised by the Auditor General of Pakistan are not settled in a timely manner.</p> <p>(ii) The external audit arrangements are yet to be institutionalized to provide an effective and sustainable assurance mechanism. Independent audits for the FYs June 30, 2017 and June 30, 2018 were substantially delayed.</p>	<p>(i) Internal audit department to improve coordination with Government Auditors to expedite the settlement process and suggest appropriate actions to audit committee in case of finding involving embezzlement, fraud and corruption etc.</p> <p>(ii) Office of Finance and Internal Department to identify relevant laws and regulations that allow for the appointment of external auditors over a suitable period ensuring timely availability of external audit arrangements.</p> <p>(iii) BISP to hire audit firm with vast experience and high ratings for next 3 years.</p>
Reporting and Monitoring	M	<p>(iv) The aggregation and reconciliation process in preparing financial reports is thorough, but takes up to three months which limits the value of reporting to monitor budget performance.</p> <p>(v) Variances in quarter-wise number of beneficiaries identified and no reconciliations made. This may lead to inappropriate payments.</p> <p>(vi) The capacity of the F&A wing to verify the MIS generated payment data is limited and may result in inaccurate payments.</p>	<p>(iv) Finance and Accounting Department to ensure timely reconciliations.</p> <p>(v) Variances in quarter-wise payments should be documented, analyzed and authorized by BISP Management.</p> <p>(vi) Rigorous Payment Verification Interface (PVI) to be developed for accurate and timely verification and reconciliation.</p>
Information System	H	(ii) Regular Information System audit need to be conducted, (ii) Agreement with NARDA does not include the frequency of backups and disaster recovery plan, (iii) There is no approved IT policy.	(ii) Board to approve the IT policy including to conduct the information system audit on periodic basis and the, amendment in NADRA agreement.
Overall Control Risk			High

Overall Combined Risk	Substantial
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L = low, M = moderate, H = high,
Source: Asian Development Bank.

F. Proposed Time – Bound Action Plan

58. Based on the risk determined and mitigation measures proposed, the time bound action plan is determined as follows:

Table 4: Time Bound Action Plan

Risk	Mitigation Measure	Responsibility	Time Frame (From loan effectiveness)
Country Risk	BISP shall develop and implement a comprehensive and dynamic Risk Management Framework that integrates a consistent monitoring and reporting mechanism with the feedback generated by the various governance, accountability and monitoring organs of the organization.	DG (Internal Audit) and ADG (M&E)	Within six Months
Entity Specific	With the creation of Social Safety and Poverty Alleviation Division, the release of fund can be expedited through development of a proper mechanism with Finance Division in line with Financial Regulations	Finance Division, Social Safety and Poverty Alleviation Division	Within one year
	Principal Accounting Officer and Director General (F&A) to constitute the Budget Scrutiny Committee.	Principal Accounting Officer	Within six months
Executing Agency	Based on approved technical feasibility study, MIS wing under guidance from Board of Directors to develop a road map for the integrated solution.	DG (F&A), DG (Cash Transfer), DG (Internal Audit) and DG (MIS)	Within one year
Funds Flow	(i) BISP to finalize the service level agreements with bank on long terms basis through competitive process.	DG (Cash Transfers)	Within six months
	(ii) BISP to engage the services of commercial banks with sound rating and expertise in this field by following the competitive bidding process.	DG (Cash Transfers)	Within six months
	(iii) BISP Board to approve the cash transfer manuals.	DG (Cash Transfers) and ADG(CCT)	Within six months
	(iv) Agreement to be amended with NADRA to include the provision of backups and disaster recovery plans.	DG(MIS)	Within six months

Staffing	(i) BISP to conduct a study to identify the needs for recruitment of BISP's regular employees for all key positions.	DG (Human Resources)	Within one year
	(ii) BISP to recruit regular employees for all key positions prioritizing F&A and internal audit staff.	DG (Human Resources)	Within two years
Accounting Policies	BISP to develop a roadmap to migrate from cash basis to accrual basis of accounting system.	DG (F&A)	Within one year
External and Internal Audit	(i) Internal audit department to improve coordination with Government Auditors to expedite the settlement process and suggest appropriate actions to audit committee in case of finding involving embezzlement, fraud and corruption etc.	DG (IA)	Within six months
	(ii) Office of Finance and Internal Department to identify relevant laws and regulations that allow for the appointment of external auditors over a suitable period ensuring timely availability of external audit arrangements.	Audit Committee of Board and DG (IA)	Corresponding with next year audit
	(iii) BISP to hire audit firm with vast experience and high ratings for next 3 years.	Director General (IA)	Within three months
Reporting and Monitoring	Finance and Accounting Department to ensure timely reconciliations.	DG (F & A) and DG (IA)	Within six months
	Variances in quarter-wise payments should be documented and approved by BISP Management.		Within six months
Information System	Board to approve the IT policy including to conduct the regular information system audit on periodic basis and the, amendment in NADRA agreement.	DG (MIS)	Within one year.

Source: Asian Development Bank.

G. Suggested Financial Management Covenants

59. The following is proposed as FM covenants for the project:

The Borrower shall cause the EA to:

- (i) maintain separate accounts and records for the Project and the Loan;
 - (ii) prepare annual financial statements for the Project and the Loan in accordance with accounting principles acceptable to ADB;
 - (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB;
 - (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of the Loan Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures) and a Management Letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any);
 - (v) furnish to ADB, no later than six months after the end of each related fiscal year, copies of such audited financial statements, Audit Report and Management Letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.
- ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.
 - The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of authorized officer of the Borrower, unless the Borrower shall otherwise agree,

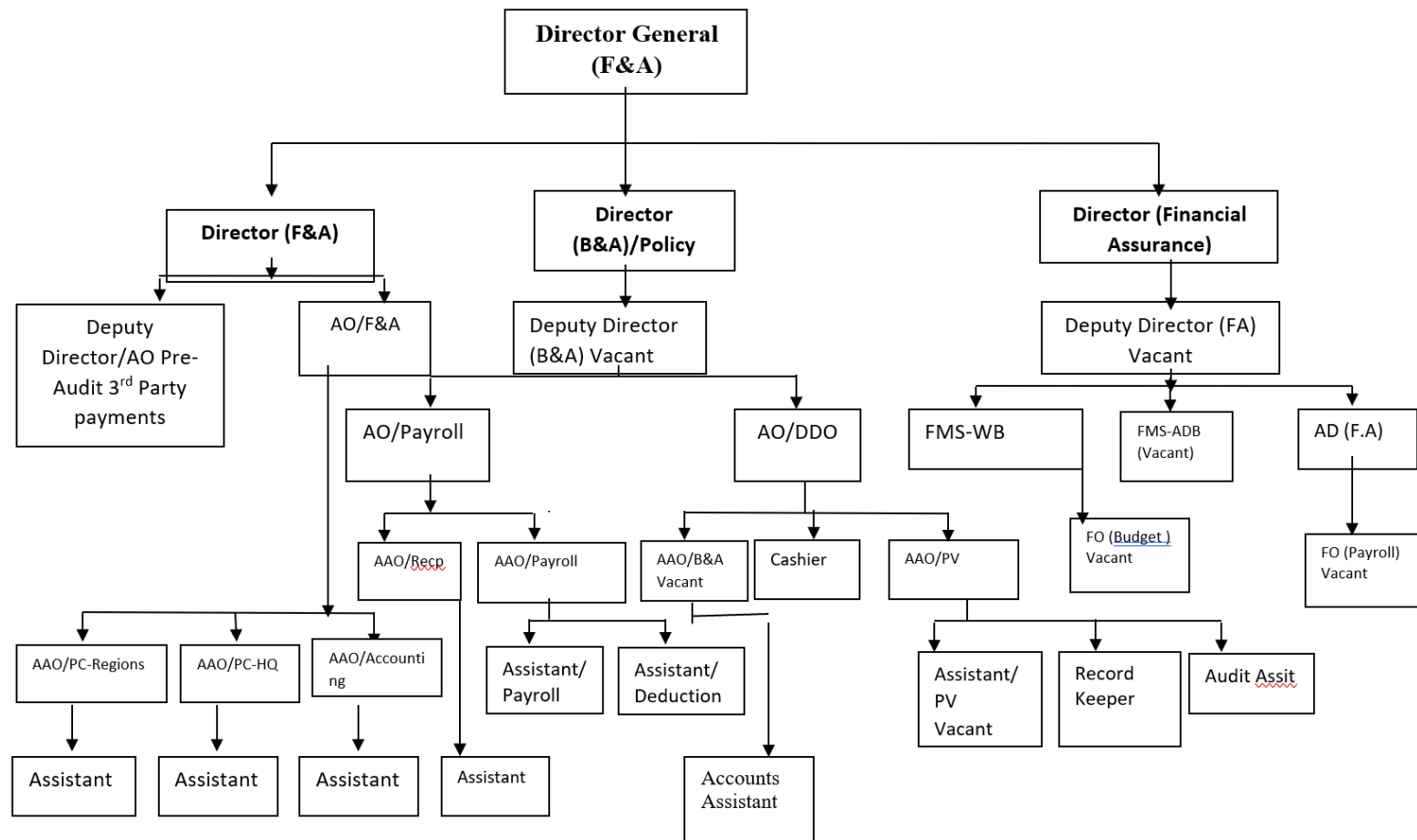
H. Conclusion

60. The GOP's PFM system has in recent years undergone some important and transformational developments. However, overall it remains very weak and there continues to be shortcomings regarding many specific PFM elements and procedures. This is in particular seen in the areas of comprehensiveness and transparency, significant delays in the annual audits, pending issues with office of Auditor General of Pakistan, delay in finalization of contracts with bank through competitive bidding process, budget execution control, and accounting and financial reporting. It is noted though that the GOP through MOF is demonstrating commitment to reforming and improving the PFM system.

61. Since BISP's FM is based on and functions within the existing GOP framework, it is affected by the overall systemic issues of the GOP and hence has many of the deficiencies and limitations of the overall PFM system. However, a number of strengths in BISP's FM arrangements have also been identified, including the finalization of financial regulations and adequate segregation of accounting and internal control procedures.

62. Establishing a PMU with dedicated FM staff and applying specific ADB procedures for FM can provide overall adequate and sufficient safeguards. Some further mitigation measures are proposed to address specific identified FM risks. However, it needs to be ensured that the PMU will be well-functioning which requires that capable managers and competent staff are engaged as well as adequate management and technical procedures are outlined and implemented. Furthermore, the required external audit arrangements by an audit firm of international repute need to be properly documented in the form of a Terms of Reference (ToR's) and communicated to the Board, and an efficient monitoring process put in place for the implementation of audit recommendations.

Annex A



STRATEGIC PROCUREMENT PLANNING AND PROJECT PROCUREMENT RISK ASSESSMENT

Asian Development
Bank July 2019

Strategic Procurement Planning

Summary:

Overall assessment of project procurement risk is **Medium**

Out of the total additional financing cost of \$200 million, around \$166 million will be used for unconditional cash transfers (UCT). About \$6 million is envisaged to be spent on procurement of essential goods and consulting services. There will be no procurement of civil works. The strategic procurement planning and the risk assessment/management planning below is meant for the remaining amount of around \$6 million (3% of the total additional financing).

Summary of weaknesses and risks identified: The procurement wing of BISP is headed by an Additional Director General (ADG) who is on deputation from another government department. Upon completion of his deputation period, the ADG may repatriate to his parent department. The ADG has a couple of support staff to assist in the secretarial work. The ADG gets procurement support from consultants (three) who have been hired under World Bank (WB) funding. The procurement wing primarily performs the role of a facilitator to various wings of BISP. Generally, the user unit (wing) prepares the scope of work/TORs, conducts the evaluation of technical and financial proposals/bids, and recommends the award of contract to the Secretary BISP. There are committees notified in this regard. The procurement wing provides support in following the Public Procurement Rules (PPR), 2004 (when government/BISP funds are being used), the uploading and publishing the advertisement in newspapers, receiving bids/proposals/EOIs, handing them over to the user unit, preparing the submission templates and sending them to the respective donor. The consultants provide assistance to ADG in discharge of these functions. Therefore, keeping in view the proportion of procurement outlay in the ADB additional financing, the risk to the project is Medium.

Summary of mitigation/management measures to be adopted: To mitigate the lack of capacity in the procurement wing, hiring additional support (consultant) for the very limited procurement activity under additional financing is proposed to i) provide support to the user units, ii) enhance the capacity, iii) improve the process, and iv) plug the knowledge gaps. In addition, hiring of permanent staff for the procurement wing by BISP is required. This can be done gradually over the course next two or three years but one permanent staff member may be hired before the end of the current year. Meanwhile, donors to BISP can focus on providing hands-on procurement support to the focal person(s) of user unit of the BISP to ensure efficiency in procurement and contract management.

Procurement risk: The major procurements for BISP are hiring of financial institutions for cash transfer biometric verification system-based services for BISP beneficiaries and hiring of survey firms for National Socio-Economic Registry (NSER). These procurements are financed through BISP's own budget and are done after approximately every five years. The hiring of the NSER survey firms has been completed last year and process for selection of financial institutions is ongoing and expected to be completed in a couple of months. The main procurements from

the ADB financing will be hiring individual experts for the Policy Research Unit (PRU) and few (5-6) consulting firms/research institutions and small value goods procurement. Even though procurement volume is small compared to overall project loan, delay in procurement of these activities may overall impact the output/outcome of the project. Overall, the procurement risk is medium subject to condition that BISP will recruit additional staff to strengthen the BISP procurement team. A ensure compliance a covenant is included in the project agreement.

Introduction

BISP is an autonomous body, established under BISP Act (2010), with clear and written rules and regulations. Autonomous bodies are mostly financed by the government but they are different from government ministries and departments as they make and follow their own rules (albeit these rules have to be approved by the government). BISP Employee's Service Regulations were first approved by the Establishment Division in 2012 and BISP Financial Regulations were notified in May 2018. In August 2018, improved and more detailed BISP Employee's Service Regulations were approved by the Establishment Division. BISP has a pertinent organizational structure, with clear lines of authority. The chairperson heads the organization and he or she is always a political appointee. As BISP is named after a woman prime minister and its beneficiaries are women, governments have generally appointed a woman as chairperson. The bureaucratic head of the organization is Secretary BISP, who is usually a basic pay scale (BPS) 21 or 22 officer. Under the Secretary, there are numerous wing, each headed by a director general (DG) or an additional director general (ADG). Field offices of BISP are spread all over the country and a DG in each province supervises BISP's provincial operations and administration that includes divisional and tehsil offices.

BISP is mostly funded through federal budget and its grant allocation has increased manifold since 2008. The GoP has increased the budget for social protection (that funds BISP and other organizations) for the current financial year (2019-20) to Rs. 190.5 billion. The quarterly payment to the BISP beneficiaries has also been increased to Rs. 5500 for the current financial year (1st July 2019- 30th June 2020). BISP can claim institutional longevity as it has survived for more than a decade under three different political administrations. These governments did not agree on many policies but all of them, including the current government, have not only publicly recognized the importance of BISP but also incorporated it in their own public speeches and campaigns. Sustainability and Institutional memory is an issue in BISP as most of the people working at the BISP headquarters and regional offices are on deputation i.e. they are government servants from other ministries and departments who have been temporarily deputed to serve in the BISP for three years. Deputationists usually stay for three years and then go back to their parent ministries and departments taking all their experience and learning with them. They are then replaced by new deputationists who again take some time learning the ropes, thereby delaying work, and when they become knowledgeable, they also leave. There is limited succession plan for key staff as sometimes deputationists are recalled by their departments before three years and at other times, deputation is extended for another three years. Heavy dependence on deputationists and consultants also makes capacity building a complex problem, instead of a simple decision. Even if the top management wants, BISP cannot spend its finances training someone who may not going to be around next month or next year.

There is a change in top management during the last one year. The current BISP chairperson was appointed in October 2018 and the current secretary joined in January 2019. However, as the chairperson has technical expertise and was already a member of BISP board, the transition was smooth. There were reports of political interference in the BISP administrative affairs in the past. The current government has promised that there would be no political interference in any

government ministry, department or autonomous body which is encouraging. Interestingly, the current government has created a new Poverty Alleviation and Social Protection Division, which will no doubt increase focus and lead to better coordination in the fragmented sector of poverty alleviation. However, it may also lead to political interference as BISP is going to be the largest organization, with the biggest budget, under this new ministry and the minister may want to exert his or her authority on BISP.

Since most of the procurement is from BISP's own funds, Public Procurement Rules (PPR), 2004 and regulations are followed. As given in the PPR 2004, open competitive bidding is the default method. There is a transparent tender processes and non-discriminatory participation is encouraged. There are no sector-specific rules and guidelines as the sector is new in Pakistan and is fragmented. The PPR 2004 and regulations are too broad and do not give instructions about unique issues that an organization, like BISP, might face while completing the procurement process. BISP procurement consultants, therefore, approach PPRA for advice when they face some complex issue and the PPR 2004 or regulations do not provide clear advice. The consultants were generally happy with PPRA assistance. However, sometimes the PPRA officials were unable or unwilling to give relevant advice and quoted the rules and regulations back to the consultants, making procurement decisions difficult and causing inordinate delays.

The general working conditions of the procurement wing are not optimal. All three consultants, almost the whole wing, are placed in one room. This room is just large enough to hold the chairs and tables of the consultants. It is difficult for a single person to move around the room. There is also no support staff. The consultants have to do everything themselves. This costs precious time and effort and makes consultants unavailable for the tasks that are critical to the efficiency and effectiveness of BISP.

BISP does not have any self-generated source of revenue. As mentioned above, most of its funding comes from the Government of Pakistan (GoP) budget and so the procurement cycle is tied to GoP's annual budgeting cycle. BISP's budget depends primarily on the grant it gets from the GoP and, therefore, procurements are also tied to the GoP/BISP budgeting cycle. BISP's financial regulations state that BISP's financial year is same as GoP's financial year i.e. 1st July to 30th June. Funds from the international donors, however, are spent on procurement (and on other areas) based on agreements with them. However, these funds are also part of BISP budget and procurement process cannot start without a duly sanctioned budget.

Procurement planning is given importance in BISP. BISP annual procurement plan is available [online](#) and is regularly updated, though there is no date on the updated plan indicating the time of updating. The online procurement plan gives sufficient information to prospective bidders to plan ahead. For each planned procurement activity, one can see online the estimated cost, procurement method, tentative date of procurement's notice publication, tentative date of award of contract and tentative date of completion. Secretary BISP has weekly meeting with the procurement wing in which the planned and on-going procurement activities are discussed. Procurement evaluation reports are also done to review and improve the procedures. They are available [online](#).

BISP has also published a procurement manual which is available [online](#). It gives information about the procurement cycle, procurement planning, complaint redressal, contract management, blacklisting procedure, procurement evaluation committee, record maintenance and freedom of information in the BISP. Furthermore, it also gives indicative timelines linked to procurement of goods, works and consulting services. It explains each step during the procurement cycle and then give the time that can be spent on that step.

Project Concept

Project Title	Pakistan: Social Protection Development Project
Country	Pakistan
Executing agency	Benazir Income Support Program (BISP)
Implementing agency	BISP
Project development objectives	The project will provide additional support to the BISP, Government of Pakistan's national social safety net program. It will extend the ADB project and help BISP in reducing poverty and increasing female empowerment.
Project description	The ADB additional financing will support the project activities from 2019-2022. The project will primarily enable the expansion of the unconditional cash transfer from ten to fifteen quarterly payments. Additionally, it will support research and financial management control activities to improve BISP's efficiency and effectiveness.
Description of indicative contract packages	<p>Contract packages under the additional financing require individual consultants to support PIU and Policy and Research Unit. The PRU experts are:</p> <ul style="list-style-type: none"> • Policy, Research and Governance Expert (Team Leader) • Research Methodology and Monitoring & Evaluation Expert • Social Sector Economist and Financial Forecasting/Modelling Expert • Data Analytics Experts (2) <p>All individual experts (national) shall be recruited using competitive selection method of Individual Consultant Selection (ICS).</p> <p>Few research studies are proposed for which open competitive bidding procedures shall be applied by using Quality and Cost Based Selection (QCBS) method, quality and cost ratio of 90:10. There may be requirement for recruitment of research institutions on SSS or using nonconsenting services approach. The exact details nor the scope (TOR) is clear at the stage of this assessment, therefore the titles/type research activity may vary during implementation. Once details are established, internal approval procedures shall be followed for change in procurement method with justification and procurement plan shall be updated accordingly.</p>
Summary of the financing agreement including GOP financing	<p>Project Financing Amount: \$204, 500, 000</p> <p>ADB Financing: \$199, 900, 000</p> <p>Non-ADB Financing (GOP): \$4,500,000</p>

Section 2: Operating Environment

A. Capacity and Capability Assessment of the Borrower

Strengths	Weaknesses
<p>The BISP has:</p> <ul style="list-style-type: none"> • Institutional longevity: More than ten years of existence under various political administrations • Legal foundation: An autonomous body, established under BISP Act (18 Aug 2010), with written regulations and procedures • Proper organizational structure and clear lines of authority • Funded through federal budget • BISP's procurement wing has completed more or less similar projects • Staff generally has the technical knowledge to deliver • Although inefficient, but familiarity with multilateral and bilateral procurement regulations • Regularly following the PPR 2004 	<p>The BISP has:</p> <ul style="list-style-type: none"> • Political interference in administrative affairs in the past • Lack of institutional memory: Most of the people working at the BISP headquarters and regional offices are deputationists (government servants from other ministries and departments). It will be hard to find any officer has served more than six years in BISP • Capacity building of the staff has not been a priority area for the management • Limited succession plan for key staff • Heavy dependence on consultants, financed by the World Bank technical assistance, in the procurement wing • Delay in timely procurement that hamper overall project implementation • E-procurement is in infancy • High turnover of the consultants supporting procurement wing
Opportunities	Threats
<ul style="list-style-type: none"> • Dedicated staff and focused procurement training will assist capacity building and improve performance • All goods procurement shall be procured through local market. Most of consulting services shall be procured through local market. • Current government is focused on social welfare and social protection. A new Ministry of Social Protection and Poverty Alleviation has been established in June 2019 • Strong support for social protection within all political parties • Availability of NADRA data (being constantly updated) for verification 	<ul style="list-style-type: none"> • Delay in recruitment of procurement experts and individual experts for PRU • Defining requirement for research institutions including identification of such institutions may be a challenge and delay the output of PRU. • Economic growth is decreasing which may eventually affect the collection of government revenues and BISP budget • Increase in unemployment and poverty is predicted by many economists • Political instability • Volatile exchange rate and pressure on local currency • Law and order situation and terrorism

<ul style="list-style-type: none"> • Multilateral and bilateral finance institutions are willing to support social protection 	<ul style="list-style-type: none"> • Volatile regional peace • Sustainability
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B. Support Requirements

Procurement capability and capacity	<p>The procurement wing of the BISP is headed by one ADG with a couple of support staff. The ADG oversees the wing and reports directly to the Secretary BISP. In addition to the ADG, there are three consultants, who have been hired using World Bank's technical assistance. One is for the procurement of Goods, the other is for the procurement of services. The third one is for contract management.</p> <p>However, since the procurement wing only assists in downstream transactional procurement activities, which are actually performed by the user units, the risk of lack of capacity and capability will be mitigated through hiring of a consultant well-versed in ADB procurement regulations. In the medium term, the most optimal solution will be hiring of a permanent procurement staff in the procurement wing by BISP.</p>
Experience in implementing similar projects	BISP is implementing some component of the same project financed by WB. BISP and other unit of BISP may be familiar with the Government own procedures however there is serious concern with regard to resource and capacity constraints of BISP to carry out procurement under the ongoing project as well as procurement proposed under additional financing.
Contract management capability and experience	There were numerous problems due to the absence of someone who could deal with contract management issues in the past. The BISP, with the help of World Bank, has hired a contract management consultant. The consultant is fairly new and for the most part has worked in private sector, but he has experience of contract management and this will help in reducing contract management issues however, existing resources are not sufficient to deal with the contract management issues
Level of reliance on external consultants	Reliance on consultants for procurements will continue for this project and for other projects with BISP. At the moment, there is no plan of replacing these consultants with BISP employees and there is no one from BISP attached to the procurement wing who can learn from consultants and have an institutional memory of what is happening during the procurement processes of different goods and services.
Existence and description of complaints management system	BISP has an apposite complaint redressal mechanism for handling of grievances or disputes regarding the procurement processes. It is simple and unambiguous. A Complaint Redressal Committee has been notified which is fully autonomous. Complaints can be sent to BISP through post/ courier or made online. Procurement Wing is not part of the committee which increase impartiality of the redressal process. The committee has to make decision within fifteen days of the receipt of the complaint. The process can be made fairer by adding someone from outside BISP in the committee. This new member can be from PPRA, Ministry of Finance or the newly created Ministry of Social Protection. BISP's previous experience consists only of minor complaints against the procurement process. In addition, the contracts signed by BISP also have a two-tier dispute resolution mechanism clause to impartially settle the disputes among the contracting parties.

C. Key Procurement Conclusions

Impact of Strengths:

- *The status of an autonomous body, established under BISP Act (2010), gives BISP autonomy and flexibility*
- *Proper organizational structure, with clear lines of authority, and written policies and procedures increases efficiency and effectiveness*

Impacts of Weaknesses:

- *Dependence on deputationists and consultants in BISP hampers institutional memory and sustainability*
- *Procurement wing is completely staffed by consultants, thus further aggravating the problem. High turnover may lead to inefficiencies*

Threats:

- *Economic growth decreasing which may eventually effect the collection of government revenues which in turn may impact BISP's budget*
- *Increase in unemployment, poverty, and political instability will affect the overall working environment*
- *Volatile exchange rate may lead to renegotiation of contracts.*

Opportunities:

- *Strong support from all major political parties means that BISP has existence as an organization is secure*
- *Donors' support will help BISP management thwart any attempt at political interference*

D. External Influences Analysis

Governance	<ul style="list-style-type: none"> • Elections are held after every five years and previous two governments have completed their tenure which has helped stability. Election were held in 2018 so no elections anticipated before 2023 • Low level conflict in Balochistan and erstwhile FATA districts, now merged with Khyber Pakhtunkhwa • High state involvement in the economy and large state-owned enterprises are a major reason for fiscal haemorrhage • Rule of law exists but interest groups do manipulate laws and manage to get policies approved that are beneficial to them but harmful to the economy • Bureaucratic setup is organized and robust but corruption, intra-bureaucratic tussles and politicization has lowered its efficiency and effectiveness. As a result, processes and decision-making, including those relating to procurement, have suffered • Legislative process is well established and federal government and all provinces have their own procurement regulatory bodies under the overall umbrella of federal government. • Prime Minister's focus on social protection may help improve governance in this specific sector
Economic	<ul style="list-style-type: none"> • GDP growth projected to slow down to 2.4% in the next year • Inflation rate to increase to 13% in the next year • Exchange rates against US dollar is volatile and is expected to increase • Above factors might lead to increase in prices and contracts may have to be renegotiated • Project does not envisage major buying of goods but costs of banking services may increase. War in Iran can increase prices further • The mitigating factor is the recent agreement of GoP with the International Monetary Fund (IMF). This agreement will decrease the economic volatility. However, growth may be very slow to pick up
Sustainability	<ul style="list-style-type: none"> • Government and donors expected to continue providing funds to BISP • Poverty expected to increase in the short-term so BISP assistance will be more in demand • BISP have survived two changes of governments so it is likely to endure any future political upheavals • BISP has been established under BISP Act (2010) and works as an autonomous organization • More research and subsequent actions to improve targeting and to decrease pilferage, error and corruption

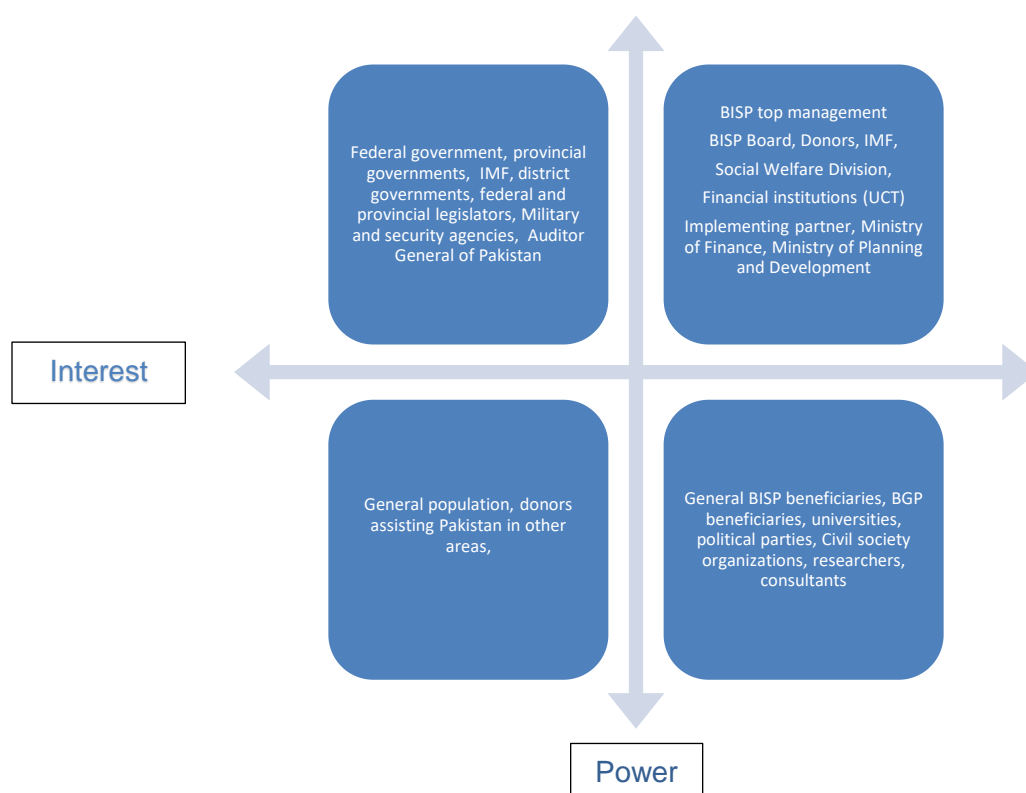
	can increase BISP's acceptance and reputation in the coming years.
Technology	<ul style="list-style-type: none"> • The Project is based on proven medium level technology • BISP depends on the NSER survey data (and NADRA's verification and storage system) and private as well as public banks' information technology systems for success • NSER survey data, which is currently being collected, will be qualitatively better than the previous survey as the reach, technology and processes have been improved. Financial institutions, likely to be selected after the procurement process, are gradually adopting new technologies to serve all their clients. This will assist in improving BISP's delivery systems • There is fully functioning procurement system in place, however procurement plan and IFB are posted on BISP as well PPRA website. Bid documents are uploaded on the website and received online as well. Evaluations are done offline but recorded in a system. e-filing is being used and in process of further system upgrade to introduce new features. For other areas like surveys, MIS etc, IT systems capability and interfaces need to be improved.

E. Key Procurement Conclusions

Key takeaways are:

- *Good governance and rule of law in Pakistan are sliding from average to below average. Economic indicators also do not inspire much confidence*
- *Economy is in distress but agreement with the IMF is likely to stabilize the economy*
- *Government and donors will continue to support BISP's UCT and conditional cash transfers (CCT). New NSER survey will further increase BISP's effectiveness and sustainability*
- *BISP is using latest available technology for its NSER survey and cash transfers but its procurement processes are still primarily manual.*

F. Stakeholder Analysis and Communication Plan



Keep Satisfied	Key Stakeholders
<ul style="list-style-type: none"> Rest of the federal government (excluding ministries/divisions identified as key stakeholders) Provincial governments District governments Federal and provincial legislators Military and security agencies Auditor General of Pakistan 	<ul style="list-style-type: none"> BISP top management BISP Board Donors (ADB/WB/DFID etc.) IMF Financial institutions (UCT) Implementing partners Ministry of Finance Ministry of Planning and Development BGP beneficiaries BISP employees
Minimal Effort	Keep Informed
<ul style="list-style-type: none"> General population Donors assisting Pakistan in other areas 	<ul style="list-style-type: none"> Political parties Civil society organizations (General) BISP beneficiaries Graduation program beneficiaries Universities Researchers/Consultants

G. Stakeholder Communication Plan

Stakeholder name and role	BISP Graduation Program beneficiaries
Interest in the project?	High Interest
Support and influence level	Low power and Influence
Objections, drivers, needs, and levers	<p>After they have been selected and agree to be part of this project, they have to be proactively informed about project details. The implementing partner hired will be responsible for most of the communications with this group of stakeholders. These stakeholders are all poor and most are illiterate. They belong to lowest social classes and are not aware of their rights. Unless they are regularly informed and consulted, the efficiency and effectiveness of the whole project will decrease.</p> <p>BISP headquarter, regional offices, divisional offices and tehsil offices in the five selected districts cannot, however, leave everything to the implementing partner and to interact with the beneficiaries to monitor what the partner is doing and whether beneficiaries are satisfied.</p>
Action	<p>Complementary initiatives wing (administering the graduation program) and monitoring and evaluation wing may have at least one visit to each of the five districts every month.</p> <p>Regular information sharing sessions and meetings with the BGP beneficiaries may be arranged, through the implementing partner, especially in the far flung areas where information level is low and outreach of the regular channels minimal. This will allow them to voice their grievances and share their experiences. Revitalizing BISP beneficiary committees in the selected districts will be very helpful in this regard.</p>
Responsible, accountable, consulted, or informed?	This stakeholders in this group are seen as not being responsible, accountable, informed or consulted.
Communicate what, when, and how?	Most information-sharing will be in the form of face-to-face communications by the BISP officials, financial institutions, or implementing partner's staff. BISP officials at the tehsil level, divisional level, regional and headquarter level, however, may hold monthly meetings in all five districts to monitor the partner activities.

Stakeholder name and role	Financial institutions , delivery of quarterly payments
Interest in the project?	High interest

Support and influence level	High Power and Influence
Objections, drivers, needs, and levers	Financial institutions to be engaged by the BISP are highly informed and are aware of their responsibilities. Since they are paid, they generally try to be efficient and effective. However, it is necessary to monitor them as they can reduce the effort and time spent by their employees on BISP operations to cut costs
Action	<p>Generally, financial institutions value this project. They want the project to succeed and are critical for the success of the project.</p> <p>The needs of the group are linked to:</p> <ol style="list-style-type: none"> 1. Correct information about beneficiaries 2. Timely payments 3. Technology <p>Responsibilities of financial institutions, related to communications and information-sharing, must be documented in the new contracts. Afterwards, media wing or monitoring and evaluation wing must closely monitor these institutions and they should be held responsible for missing their targets.</p>
Responsible, accountable, consulted, or informed?	Financial institutions are seen as responsible, consulted and accountable
Communicate what, when, and how?	BISP HQ or regional DG, Sindh (as most of the head offices of banks are in Karachi) should have monthly face-to-face meetings with the financial institutions. Electronic communications should be more frequent, with reports of negligence by local branches shared with the financial institutions' headquarters for necessary actions.

H. Key Procurement Conclusions

While BISP is now a well-known program in Pakistan and people broadly understand that it is a social protection and poverty alleviation program, even its beneficiaries do not know most of its details. This makes communication strategy very important. Beneficiaries, mostly illiterate women, need assistance from the BISP administration to get the available benefits from BISP. Banks that were initially given the task to inform and educate BISP beneficiaries did not perform their task well. It is suggested that BISP may bound the banks and/ or use BISP beneficiaries committees (BBCs) proactively. The nature of graduation program suggests that the implementing partner has to have a communication strategy to educate the beneficiaries about the program. However, it is necessary that BISP ask for and monitor the communication strategy of the partner.

Section 3: Market Analysis

A. Porter's Five Forces: This analysis prioritizes the hiring of experts/researchers on long-term contracts (32 months) for the PRU

Competitive rivalry	Competitive rivalry is High . There is intense competition between researchers. Good researchers continuously improve themselves to get better and get ahead. Other researchers focus on networking and try to make contacts that will help them secure consulting/ research assignments.
Bargaining power of buyers	The bargaining power of buyers is Low . Competent researchers, with experience, are not available in the market as most of them will be already engaged. Although the emoluments proposed for the PRU researchers are competitive, the working environment for researchers at BISP is not optimal which might deter some candidates from applying.
Bargaining power of suppliers	The bargaining power of suppliers is Medium to High . Good researchers are available but not in large numbers. Furthermore, research related to social protection and poverty is a highly specialized area.
Risk of new entrants	The risk of new entrants is Low . Although new researchers graduate every year and enter the market, they do not have competence and experience. Both these qualities require time and suitable opportunities which are not always available.
Risk of substitutes	Risk of substitutes is Low . Increase in computational power has rendered many jobs obsolete. Basic research functions in many areas can now be done by computer. However, the researcher's job in the PRU involves complex, sophisticated thinking which cannot be done by the computers. Similarly, the job of the researchers cannot be done by the generalist bureaucrats. They do not have the necessary skills and time to be a researcher. The research methodology and the qualitative/ quantitative methods that they had learned in their universities have largely been forgotten.

B. Key Procurement Conclusions

Competent researchers, with experience on projects related to social protection and poverty, will be hard to find. High emoluments and competitive rivalry between researchers can help BISP attract and engage them. However, a good working environment is essential to make them stay at the PRU.

C. Supply Positioning

Strategic Security	Strategic Critical
	PRU experts Research institutions Implementing partner for the graduation program (from the current ADB project)
Tactical Acquisition	Tactical Advantage
Short term consultants PMU staff hiring for graduation program (from the current ADB project)	Supply contracts

D. Key Procurement Conclusions

The most important procurement (under ongoing project) is that of the implementing partner for the graduation program. The whole program can be jeopardized if the hiring is further delayed or a suboptimal procurement process results in the hiring of an inefficient or ineffective firm. Firms that have experience of such projects are few in number and the span of the project makes it even more difficult to find a suitable firm. Hence, engaging a firm that can do the job is very challenging.

Research institutions and PRU experts are the primary focus under additional financing. Their procurement is critical and it is strategically significant. Proper evaluation of the research proposals of research institutions will be the key to hiring the best-fit and getting the value for money. As discussed above, competent experienced researchers are in short supply so attracting good candidates is a key to PRU's success.

E. Supplier Preferencing

Develop	Core
PRU experts PMU (from the current ADB project)	Research institutions Implementing partner for the graduation program (from the current ADB project)
Nuisance	Harvest
	Short term consultants

F. Key Procurement Conclusions

For the research institutions, BISP contract is very important. They will be willing to go extra length to satisfy BISP. There are few universities that have experience of projects like BISP but there are also few such projects available in the market at this moment. Economy is in a low growth trajectory and lots of international non-governmental organizations have stopped working in the country due to security reasons. Therefore, research institutions will be ready to accede to BISP's requests.

Potential PRU experts and consultants may want to work for BISP but as they will not be offered a permanent job, they will keep exploring other options and will leave BISP whenever they get a better opportunity. Therefore, it's important to provide such conditions, in terms of monetary compensation and working environment, that they stay for the duration of the project.

Since the research institutions are strategic (in terms of supplier positioning) and core (in terms of supplier preferencing) under the present ongoing ADB project, their contracts have to be managed very carefully. Monitoring should be regular and BISP should make sure deadlines regarding deliverables are strictly adhered to and quality is not compromised. However, engagement should be mutually beneficial and rewarding so BISP should arrange timely payments, provide up-to-date data about beneficiaries and help the partner, where it can, in meeting targets.

Section 4: Risk Management

Project Procurement Risk Register

Risk Type	Risk Description	Impact	Likelihood L(1-5)	Impact I(1-5)	Overall Score LXI	Proposed Mitigation	Risk Owner
Procurement	EA with not enough experience of ADB funded projects	Potential of not complying with ADB policies and procedures and implementation delays	3	4	12	All procurement subject to ADB's prior review, comprehensive capacity building, hand-holding to the EA	EA/ADB
Procurement	Lack of procurement staff and Disruption in the procurement process due to the loss of key personnel	Potential for delay in procurement	4	4	16	EA to recruit an additional deputy project director and dedicated procurement consultant	EA
Procurement	Complex internal approval mechanisms causing procurement delays leading to inefficiency	Potential for delay in procurement	4	5	20	Agree with EA on time bound action plan	EA/ADB
Procurement	Potential service providers are not known	Potential for delay in procurement	4	4	16	EA to expedite recruitment of individual experts for PRU and procurement expert to assist in defining the TOR and assess the market	EA
Procurement/contract implementation	Risk of complaint challenging the delay in	Delay in procurement decision	2	2	4	Take immediate action to address	EA/project team

	procurement decision						
Contract implementation	Risk of weak contract administration due to several layers within existing structure of EA	Delay in overall implementation may lead to cost overrun	2	3	6	Timely communication among the contracting parties and all relevant stakeholders	EA/ADB/consultant/contractor

Procurements under ADB funding has previously been delayed mainly due to the reasons discussed above. Recruitment of individual consultants for the project management unit (PMU) for the graduation program were approved during early May 2018. The recruitment process is still in progress. The procurement process has to be reviewed. It has been suggested by BISP staff that a lot of time is spent on agreeing on terms of reference and at the evaluation stage. The hiring of implementing partner for the graduation program has suffered delays many times mainly due to alteration in terms of reference because of change in the scope and priorities. The evaluation committees are headed by DGs and/or ADGs. Some of the members of these committees may have no experience/knowledge of or interest in the procurement process. This leads to delays and getting an approval difficult and time consuming. The World Bank is conducting a review of the BISP procurement process. The top management at BISP may be advised to seriously consider and implement recommendations of the aforementioned review.

Trainings is an area which is largely ignored in the procurement wing. Being an autonomous but government-financed organization, BISP shares the general lack of focus on trainings that pervades most public sector organizations in Pakistan. Furthermore, there are rules that restrict training of consultants as they are not permanently anchored to the GoP and can leave anytime they want. Unsurprisingly, since almost the whole procurement wing is staffed by consultants, trainings opportunities are almost non-existent. ADB/PRM has delivered couple of capacity development training programs at BISP to help the participants improve their familiarity with ADB Procurement Regulations. Since effectiveness of BISP, and the World Bank and ADB projects assisting the BISP, are going to suffer because of lack of capacity in terms of permanent procurement staff, lack of familiarity of ADB procurement Guidelines/Regulations by BISP and their consultants, uncertainty of job etc., it is suggested that ADB covenant recruitment of additional staff at BISP in addition to two procurement consultant (one under ongoing loan to be recruited and one proposed under additional financing). Subsequently, a meaningful training program for capacity development may be developed and delivered. However, the long-term solution to concerns about the BISP's procurement process, including its sustainability, is the hiring of permanent staff for the procurement wing.

Section 6: Procurement Strategy Summary

A. Procurement Packaging and Scheduling

The primary procurement under additional financing is hiring of national individual experts for the PRU:

- Policy, Research and Governance Expert (Team Leader)
- Research Methodology and Monitoring & Evaluation Expert
- Social Sector Economist and Financial Forecasting/Modelling Expert
- Data Analytics Experts (2)
- Procurement Specialist
- Financial Management Specialist

In addition, 5 research institute/firms are to be recruited, few short-term individual experts and supply contracts for office furniture and fixtures. The procurement is scheduled between September 2019 and March 2020. Short-term researchers will be hired later as and when required during the course of the project.

Research studies, in collaboration with research institutions/universities on the following topics are also planned:

- Health
- Education
- Social Protection
- Water, and
- Gender

B. Procurement Method

Both PRU experts and short-term consultants will be hired using the Individual Consultant Selection (ICS) method. However, depending on the nature of research, sometimes Single Source Selection (SSS) method will also be used, with prior approval from ADB. For the selection of research institutions/universities, QCBS method will be used.

C. Prequalification

Prequalification is not proposed for supply contracts as these are small value simple contracts. Prequalification (shortlisting) shall be used for the individual as well as consulting/research institutes, as appropriate.

D. Bidding Procedures

Open Competitive Bidding (national) procedures shall be used for the recruitment of individual experts and research institutions/firms, as appropriate. Once TOR are developed and depending on the market condition, some services may be required to be procured through Direct Contracting (SSS).

E. Specifications

Simple office equipment and furniture shall be procured that shall be procured on using RFQ procedures and does not require preparation of complex specifications/requirements. Terms of

reference for some of the individual experts have been developed and few still needs to be developed including TOR for the research institutions. During this assessment, the requirement were not known and not possible to develop the TOR. Once individual experts are on board including few individual to be recruited under the capacity building/knowledge sharing TA (KSTA), TOR including type of bidding process and type of contract to be used shall discussed and agreed between BISP and ADB. TOR of some of the experts are included in the PAM.

F. Review Requirements

Due to the lack of capacity of the procurement wing, all transactions shall be subject to prior review.

G. Standstill Period

No standstill period is proposed.

H. Standard Bidding Documents and Contract Forms

For procurement of goods sample RFQ or another similar template shall be used. For the individual experts, BISP will use their own existing template or may use ADB sample template. For recruitment of audit firms and research institutions, ADB standard RFP shall be used. During implementation, once more details are available for the research institutes, type of bid documents including type of contract to be shall be discussed and agreed between ADB and BISP. TORs of the research institute to be developed during implementation once requirements are clear from BISP.

I. Pricing and Costing Method

For PRU experts, time-based contracts shall be used and paid on monthly basis against monthly reports and agreed deliverables. The short-term consultants will be paid as per their contracts, either on daily basis or monthly based on the requirements. Supply contracts shall be paid on unit rate basis. For research institute and consulting firms, payment method shall be agreed once TOR are finalized and contract modality is finalized. For audit firm, lump-sum contract shall be used and payment shall be made against deliverables.

J. Key Performance Indicators

The key performance indicators of the PRU experts will be their compliance to the TORs and deliverables. As part of the contract management strategy, BISP, with input from the ADB PRM, will identify key performance indicators for each short-term consultant and research institution to monitor their performance during contract implementation.

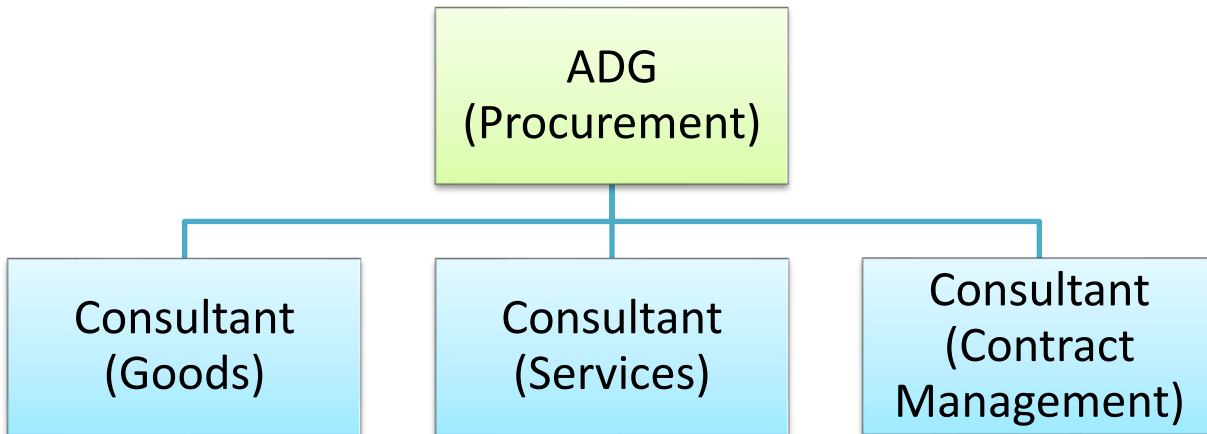
K. Evaluation Method

ADB standard evaluation criteria for evaluation of individual experts will be used with its three major aspects (i) Educational qualification; (ii) Project related experience and; (iii) International experience or experience with an international organization. The research institutions, under QCBS, the quality cost ratio used will be 90:10.

L. Contract Management Approach

The contract management approach will be collaborative. Since the primary procurement is that of researchers, so transactional, minimal or adversarial approach will hamper the project. Researchers cannot work without regular inputs from BISP. A policy and research steering committee, chaired by the secretary BISP, is envisaged to guide the PRU work. This committee includes representatives of all technical departments (cash transfer, monitoring and evaluation, CCT, complementary initiatives, and NSER) and staff wings of international cooperation, and media & communications outreach. However, for PRU, to be effective, PRU experts/consultants and the BISP departments need to have regular lower level interactions. For each contract, a contract management plan will be developed for close monitoring and implementation for timely completion of the project.

BISP Procurement Wing



Appendix 2

BISP Procurement Process



Source: BISP Procurement Manual

Stages where delay occurs

Agreement on TORs/EOIs and evaluation of bids are the bottlenecks

