



D i g i t i z e / D i r e c t / D e s i g n

**Enhancing Women's Economic
Empowerment Through
Digital Cash Transfers**

What do we learn from the Digitize/Direct/Design
(D3 Criteria) in the case of the Benazir Income
Support Program in Pakistan?



P r e p a r e d B y I D E A T E

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PART I: Introduction & Context

1. Introduction

This report presents an assessment of the **Benazir Income Support Program** using the **Digitize, Direct and Design Assessment (D3)** principles developed by the Bill & Melinda Gates Foundation (BMGF). The D3 criteria hypothesize that the economic empowerment effects of social safety net programs can be amplified for women when they are designed through a 'gender-intentional' lens and the transfers are delivered directly and digitally into women's accounts. A well designed program can increase women's control over personal finance and enhance her prospects for economic empowerment.

'D3 Assessment aims to identify what makes the most difference to the economic empowerment of poor women participating in major social safety net programs. It flags areas that would be expected to enhance the results for women's economic empowerment, and those that may represent barriers to change unless effectively addressed.'

The information presented is based on a combination of desk review of existing documents, analysis of available data, and selected primary interviews with stakeholders. The overall objective of this review is to highlight the key areas where BISP can be improved to advance the empowerment of women.

1.1 BENAZIR INCOME SUPPORT PROGRAM (BISP)

The Government of Pakistan launched the Benazir Income Support Programme (BISP) in July 2008, as the premier safety net program¹. It is the largest and most systematic social protection initiative launched in the country exclusively for women. BISP currently serves 5.7 million women who were ever-married² from the most underprivileged, excluded, and vulnerable households.

BISP emerged in the face of rapid inflation, as a targeted unconditional cash transfer program in Pakistan, focusing on poor women with the objective of consumption smoothing and cushioning the negative effects of slow economic growth. Its long term objectives now include meeting the targets of Sustainable Development Goals (SDGs) to eradicate extreme and chronic poverty and empowerment of women.

The objectives of the Program are defined as follows³:

- Enhance financial capacity of poor people and their dependent family members.
- Formulate and implement comprehensive policies and targeted programmes for the uplift of underprivileged and vulnerable people.
- Reduce poverty and promote equitable distribution of wealth especially for the low-income groups.

BISP conducted a nationwide Poverty Scorecard Survey to identify eligible households. The survey was first administered in October 2010 by independent NGOs and was undertaken across Pakistan.⁴ The survey

¹ "Overview – Benazir Income Support Programme." <http://bisp.gov.pk/overview/>. Accessed 18 Dec. 2018.

² BISP criteria excludes women single women who were never married.

³ Ibid

⁴ Except for two agencies of the Federally Administered Tribal Area

applied a Proxy Means Test that determined the welfare status of the surveyed households on a scale of between 0-100. The poverty score card was especially designed for Pakistan and used selected indicators derived from the Household Integrated Economic Survey (HIES). The Proxy Means Test estimates the likelihood that a participant has expenditure and assets below the national poverty line.⁵

The survey covered 27.36 million households and identified 7.7 million families as living below the cut-off score of 16.17. The eligibility of the households qualifying for BISP was later modified to include households with a score of up to 20 provided they met additional criteria of vulnerability such as disability, old age and a high dependency ratio in the household. This database, titled the 'National Socio-Economic Registry (NSER)' has improved targeting and is being used to target and harmonize social protection initiatives both at the federal and provincial government levels⁶. A new NSER is currently underway, and is expected to be completed by end of 2019.

1.2 PROGRAM RESULTS (2011-2016)⁷

- **Poverty:** Proportion of beneficiaries who are poor or vulnerable to poverty fell from 85% in 2011 to 72% in 2016. Proportion of poor beneficiary households, according to the multi-dimensional poverty index fell from 70% in 2011 to 51% in 2016. However, financial savings among beneficiaries remains low at 13%, up from 9% in 2011.
- **Education:** Percentage of children in beneficiary households enrolled in school went nominally up from 60% for boys and 51% for girls to 68% for boys and 56% for girls between 2011 and 2016. However, Oxford Policy Management does not find a direct link between this trend and BISP's Waseela-e-Taleem program.
- **Health:** There has been no significant impact on child malnutrition in beneficiary households. 51% boys and 56% girls remain stunted. These figures have had no change for girls, and just a 5% change for boys.
- **Mobility & Access:** Evidence finds a positive impact on BISP beneficiaries in terms of mobility; access to market has increased from just 25% in 2011 to 37% in 2016. This has largely been attributed to the greater latitude women have been allowed to leave their homes to go and collect the BISP cash transfer.
- **National Socio-Economic Registry (NSER):** Significant progress in establishing a registry of the poor in the country by capitalizing on the expertise and capacity established by the National Database Registration Authority under BISP. Over 30 federal and provincial organizations use the registry to improve the targeting of pro-poor social sector programs. However, the challenge is the high cost of administering the NSER and updating it on a periodic basis.
- **Political Participation:** All BISP beneficiaries are required to register and obtain a Computerized National Identity Cards (CNICs) which is also a prerequisite for voting. Availability of the CNIC has encouraged greater political participation of women. In 2016, 70% of women beneficiary reported that they were likely to vote in a local or national election, up from 40% in 2011.

⁵ "NSER – Benazir Income Support Programme." <http://bisp.gov.pk/nser/>.

⁶ "Reaching the Poorest through Strengthening the Social Safety Net" 18 Apr. 2016, <http://www.worldbank.org/en/country/pakistan/brief/reaching-the-poorest-through-strengthening-the-social-safety-net-system-in-pakistan>.

⁷ "How has the welfare of BISP beneficiary trends changed over time?." <http://bisp.gov.pk/wp-content/uploads/2017/02/BISP-beneficiary-trends-changed-over-time.pdf>. Accessed 18 Dec. 2018.

1.3 POLITICAL BACKGROUND

BISP has enjoyed widespread support by successive governments which is rare in Pakistan given that the program is branded with a prominent name from a party which has not been in power for many years. The program has evolved and improved in its targeting approach from using a system based on quotas allocated to elected members of the parliament for recommending poor families from their constituencies, to the use of the PMT survey. While the BISP registry contains some inclusion and exclusion errors and some complain that it is not tailored to address the specific vulnerabilities in some parts of the country, there is broad consensus across the country that the Poverty Scorecard database provides a very promising basis for building a unified national registry.⁸

In 2018, the newly formed coalition government of Pakistan Tehreek-i-Insaf (PTI) have vowed to further strengthen and expand BISP to 8 Million beneficiaries⁹ after the National Socio-Economic Registry (NSER) update is completed. It has further proposed to provide health insurance coverage to all BISP beneficiaries¹⁰, rolling out the pilot program in KPK province. BISP will also collaborate on nutrition and food program to reduce stunting in children (44% stunted as per 2016 survey) and chronic malnutrition¹¹. Unconfirmed reports also mention the new government's desire of allocating PKR 185 billion for graduation schemes for BISP beneficiaries over a period of five years.

⁸ Planning Commission. 2015. National Social Protection Framework.

⁹ "BISP to bring in eight million more beneficiaries | Pakistan | thenews" 16 Nov. 2018, <https://www.thenews.com.pk/print/394267-bisp-to-bring-in-eight-million-more-beneficiaries>.

¹⁰ "PTI unveils 100-day plan | Top Story | thenews.com.pk | Karachi." 21 May. 2018, <https://www.thenews.com.pk/print/319250-pti-unveils-100-day-plan>.

¹¹ "BISP To Introduce New Programmes To Reduce Stunted Growth" 13 Sep. 2018, <http://bisp.gov.pk/bisp-to-introduce-new-programmes-to-reduce-stunted-growth-secretary-bisp-september-13-2018/>

2. Country Context:

Profile of Opportunities and Constraints

2.1 PROFILE OF WOMEN

Gender differences in economic status and associated norms and constraints are prominent in Pakistan. The country ranks as the 2nd worst on the Global Gender Gap Index¹². The average household size of beneficiaries ranges from 6 to 8 members. The proportion of poor households led by women ranges from **14 to 28 percent**, highest in Punjab and lowest in Balochistan¹³. Nationally, this proportion increased from 7% to 11% between 1996 and 2013.

2.1.1 Poverty Status

According to the Economic Survey 2018, **24.3 percent** of Pakistan's population lives **below the poverty line**. The Survey puts the poverty headcount in **urban areas at 12.5%** and **rural areas at 30.7%**¹⁴. There has been a continuous decline in numbers over the last decade. The fall in poverty is somewhat higher in urban areas than rural areas. Poverty headcount in urban areas exhibited a fall of 5.7 percentage points between 2014 and 2016. In rural areas, the fall was of 4.9 percentage points¹⁵.

BISP beneficiaries are characterised by high levels of poverty, with **72% either poor or vulnerable to poverty** in 2016. This is a drop from 85% in 2011. The remaining 26% were quasi non-poor, as people just above the poverty line may have a tendency to slip below the poverty line due to external shocks. OPM's report on beneficiary trends shows the poverty rates in Figure 1 below¹⁶. The report finds that receipt of cash payments from BISP has had a statistically significant impact on reducing the rate of poverty amongst BISP beneficiary households. This is evident from the fact that with the income support over the years the proportion of poor and ultra poor households has decreased and that of quasi non-poor has increased.

¹² "The Global Gender Gap Report 2017 - World Economic Forum." 1 Sep. 2017, http://www3.weforum.org/docs/WEF_GGGR_2017.pdf

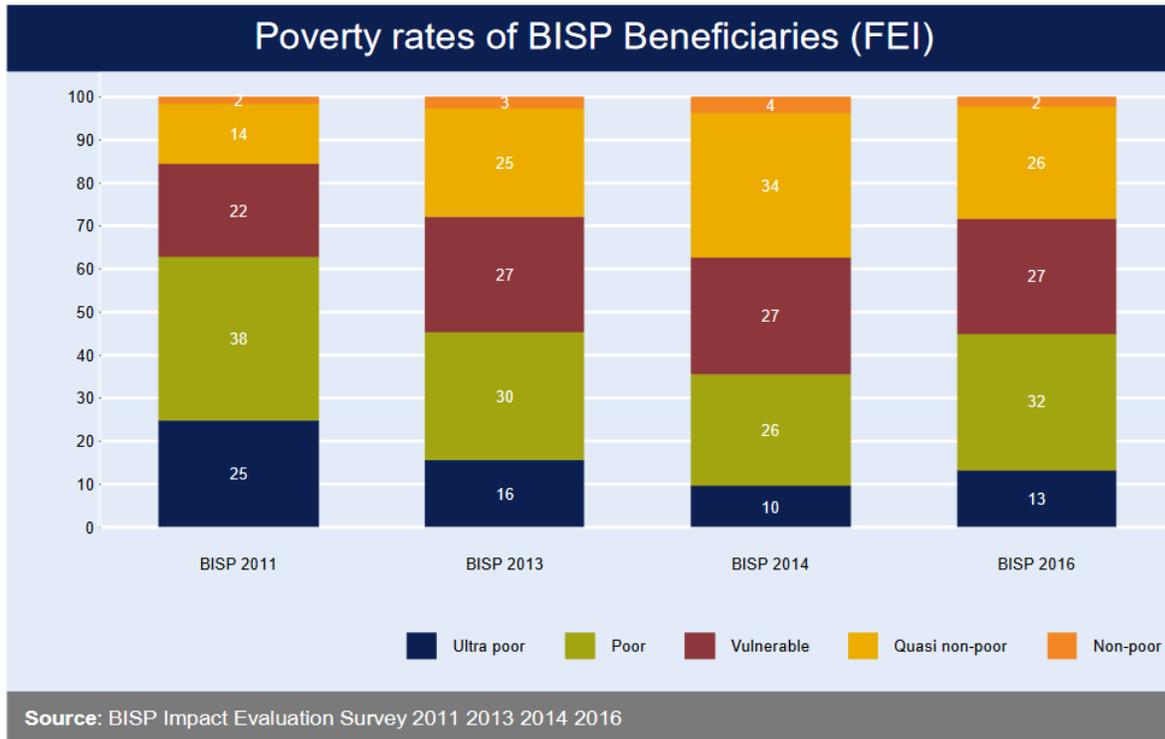
¹³ "Population Dynamics - Benazir Income Support Programme." <http://bisp.gov.pk/wp-content/uploads/2017/02/Population-Dynamics.pdf>

¹⁴ "Pakistan Economic Survey 2017-2018 - Ministry of Finance." 26 Apr. 2018, http://www.finance.gov.pk/survey/chapters_18/Economic_Survey_2017_18.pdf

¹⁵ "Economic Survey 2017-18: People living below poverty line plunge to" 26 Apr. 2018, <https://profit.pakistantoday.com.pk/2018/04/26/pakistans-percentage-of-people-living-below-poverty-line-falls-to-24-3-percent-economic-survey-2018/>

¹⁶ "How has the welfare of BISP beneficiary trends changed over time?" <http://bisp.gov.pk/wp-content/uploads/2017/02/BISP-beneficiary-trends-changed-over-time.pdf>

Figure 1: Poverty Rates of BISP Beneficiaries

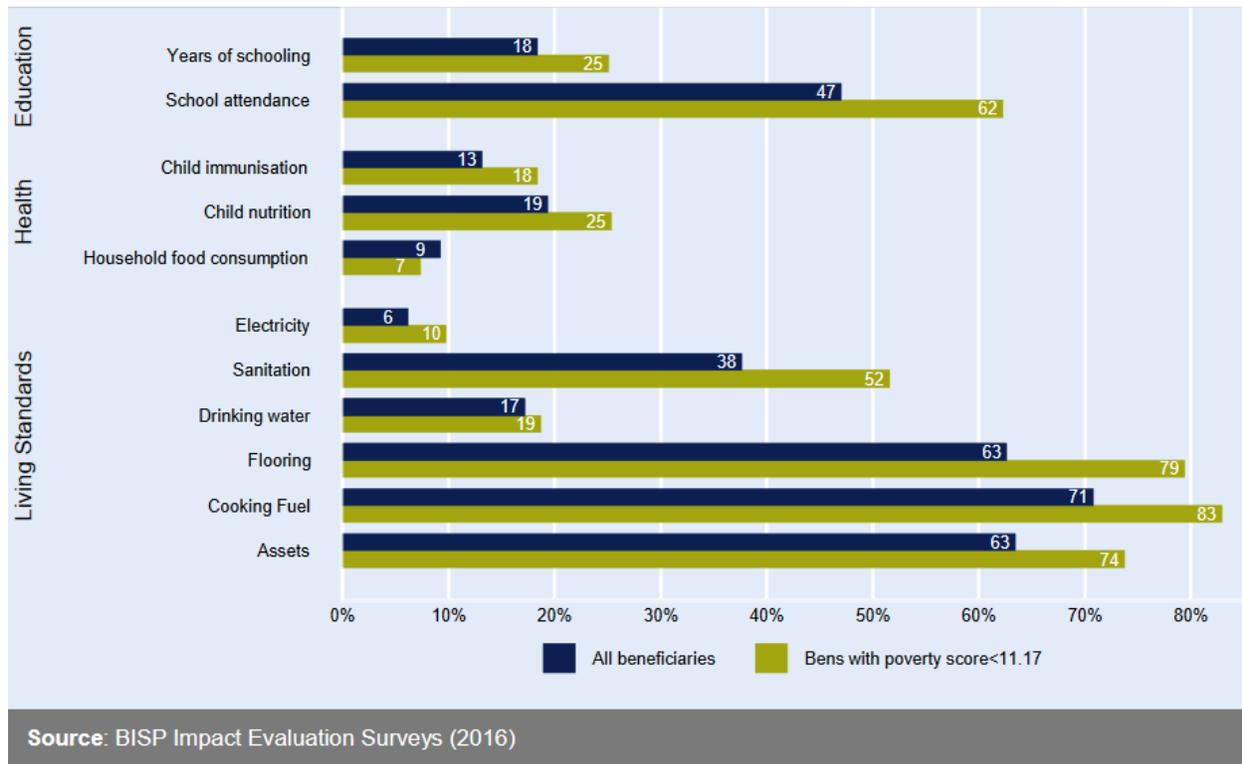


Ultra poor: those less than 75% of the poverty line. Poor: those between 75% and 100% of the poverty line. Vulnerable: those between 100% and 125% of the poverty line. Quasi non-poor: those between 125% and 200% of the poverty line. Non-poor: those at more than 200% of the poverty line. [The observed increase rate of poverty in 2016 is credited to seasonality bias, as the survey was conducted earlier in the year as compared to the previous rounds.]

Female BISP clients are not only poor in the monetary sense, but their households also face deprivations in terms of health, education and living standards¹⁷. This measure of poverty is known as Multidimensional Poverty Index (MPI). A household is considered multidimensionally poor if it is deprived in at least 33% of the following indicators.

¹⁷ "Impact Evaluation Report (Final) - Benazir Income Support Programme." 1 Jun. 2016, http://bisp.gov.pk/wp-content/uploads/2017/02/BISP_FinalImpactEvaluationReport_FINAL-5.pdf

Figure 2: BISP Beneficiary Deprivation Per Indicator¹⁸



2.1.2 Education

In Pakistan, literacy levels for rural women aged 15-64 years is 35%, compared to the national rate of 47% for their urban counterparts¹⁹. In sharp contrast the literacy rate of the BISP recipients is only 9%, and only 8% have finished primary education²⁰. The lack of access to education is not just restricted to the women in these households but the rest of the households. About 18% of BISP beneficiary households have no one who has completed primary school, and half have at least one school-aged child not attending school.. In eligible households with poverty scores less than 11.17 only 47% of primary aged girls attend school.

The issue for women is not just with literacy but also with numeracy. CGAP's sponsored Human-Centered-Design (HCD) research fieldwork by Continuum Innovation²¹ revealed that many women living in poverty could not read in their own spoken language. Most could read and interpret English numbers e.g. 1, 2, 3, however this capability did not necessary result in correct interaction with financial systems using those numbers. An example of this is reading numbers from right to left instead of left to right, and hence entering incorrect PIN codes in ATMs. Similar challenges were identified in the HCD study on BVS based cash-withdrawal for BISP, commissioned by Karandaz²², which mentioned that women struggle with compound 4

¹⁸ "OPM Report Template version 5 - Benazir Income Support Programme." 1 Jun. 2016, http://bisp.gov.pk/wp-content/uploads/2017/02/BISP_FinalImpactEvaluationReport_FINAL-5.pdf

¹⁹ "Status of Rural Women of Pakistan | UN Women – Asia-Pacific." <http://asiapacific.unwomen.org/en/digital-library/publications/2018/08/status-of-rural-women-of-pakistan>

²⁰ "Empowering women in Pakistan through the Benazir Income Support" 10 Aug. 2018, <http://socialprotection.org/learn/blog/empowering-women-pakistan-through-benazir-income-support-programme>

²¹ "Financial Inclusion for the Poorest Women in Pakistan - CGAP." 13 Jan. 2014, <http://www.cgap.org/research/slide-deck/financial-inclusion-poorest-women-pakistan>

²² HCD Study, Biometric Based Cash Withdrawals, Karandaz

digit numbers: majority of them struggled to comprehend the BISP amount Rs 4,837, even though they could make out the digits in English. The study also found that comprehension of numerals in local language (Urdu) was even worse.

2.1.3 Health

In terms of health²³, the rate of stunting among children (aged 0-59 months) in eligible households is **46%**, with almost a fifth of households containing a malnourished child (aged 0-59 months). The prevalence of stunting and wasting is reported to be due to intake of sufficient quantities of protein, energy and micro-nutrients or exposure to frequent episodes of infection or disease.²⁴ There is strong research that suggests poor infant and child nutrition results in intergenerational transmission of poverty.

2.1.4 Assets & Household Size

Around **45%** of BISP beneficiary households did not have access to **basic sanitation** facilities in 2016, which is a sharp reduction from 60% in 2011, and **19% lack access to safe drinking water**. Quality of shelter is also compromised with 71% women with no flooring in their house²⁵. Furthermore, **72% of BISP beneficiaries are deprived in terms of the assets owned** (such as motorcycle, washing machine, TV etc.), reflecting their low levels of overall asset ownership.

The average household size of beneficiaries ranges from 6 to 8 members. The proportion of poor households led by women ranges from **14 to 28 percent**, highest in Punjab and lowest in Balochistan²⁶. Nationally, this proportion increased from 7% to 11% between 1996 and 2013.

2.2 CONTRIBUTION TO HOUSEHOLD LIVELIHOODS

2.2.1 Employment

According to the **Global Gender Gap Report of 2017**²⁷, labour force participation of women in Pakistan is **25.7%**, compared to **85.7%** men (aged 15-64). Women's freedom to go out of the home depends on the purpose of the trip. Over **70%** of women are not allowed to leave the home to visit a bank, attend an NGO meeting, go to a job, or pursue an education²⁸. Much of the prejudice comes from the men in the households. A study by **Georgetown Institute**²⁹ observed that in 2016, 73% of men in Pakistan found it unacceptable for women to work, ranking it as the highest percentage in its country group.

²³ "OPM Report Template version 5 - Benazir Income Support Programme." 1 Jun. 2016, http://bisp.gov.pk/wp-content/uploads/2017/02/BISP_FinalImpactEvaluationReport_FINAL-5.pdf

²⁴ Ibid

²⁵ "How has the welfare of BISP beneficiary trends changed over time?." <http://bisp.gov.pk/wp-content/uploads/2017/02/BISP-beneficiary-trends-changed-over-time.pdf>.

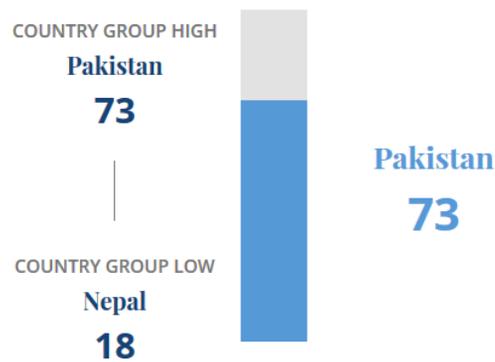
²⁶ "Population Dynamics - Benazir Income Support Programme." <http://bisp.gov.pk/wp-content/uploads/2017/02/Population-Dynamics.pdf>

²⁷ "The Global Gender Gap Report 2017 - World Economic Forum." 1 Sep. 2017, http://www3.weforum.org/docs/WEF_GGGR_2017.pdf.

²⁸ "Pakistan: Country Gender Assessment - Overall Gender Analysis" <https://www.adb.org/documents/pakistan-country-gender-assessment-overall-gender-analysis>

²⁹ "Pakistan - GIWPS - Georgetown Institute for Women, Peace and" <https://giwps.georgetown.edu/country/pakistan/>.

Figure 3: % Of Men Who Find It Unacceptable For Women to Work



Women in **37%** of the poorest households are employed. Primarily, these women in rural areas engage in the agriculture sector - mostly dairy and livestock - as either unpaid contributing family workers or on low wages. Little to no attention is given to their property, economic or social rights³⁰. For the ones who earn, the returns to labour are low with **only 19% in paid employment** and **60% working as unpaid workers** on family farms and enterprises. Of the remaining ~20%, 14% work in agriculture-based businesses they own such as farmland, and 6% work in non-agriculture micro-enterprises³¹. Women often work longer hours and in tougher conditions in farms than men, contributing to seed bed preparation, harvesting and weeding³². An estimate of women's unpaid work was valued at approximately **PKR 683 billion** or around 2.6% of Pakistan's GDP.

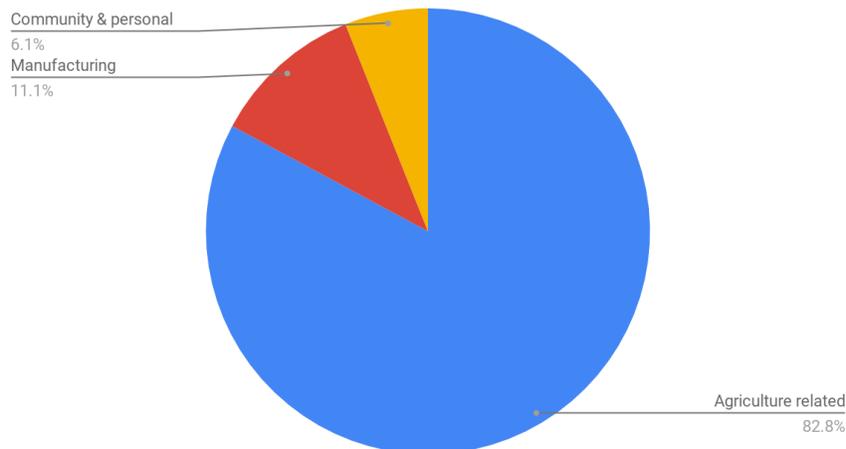
Agriculture, forestry, hunting and fishing industries employ **82%** of the total working rural women. Manufacturing industry accounts for 11%, while 6% work is community, social and personal services. For most rural women, their place of work are farms or their own residence. **Only 6% rural women work outside the home in a shop, business, office or industry setting.**

³⁰ "Status of Rural Women of Pakistan | UN Women – Asia-Pacific." <http://asiapacific.unwomen.org/en/digital-library/publications/2018/08/status-of-rural-women-of-pakistan>

³¹ Ibid

³² "Status of Rural Women of Pakistan | UN Women – Asia-Pacific." <http://asiapacific.unwomen.org/en/digital-library/publications/2018/08/status-of-rural-women-of-pakistan>.

Figure 4: Women Employment Sectors



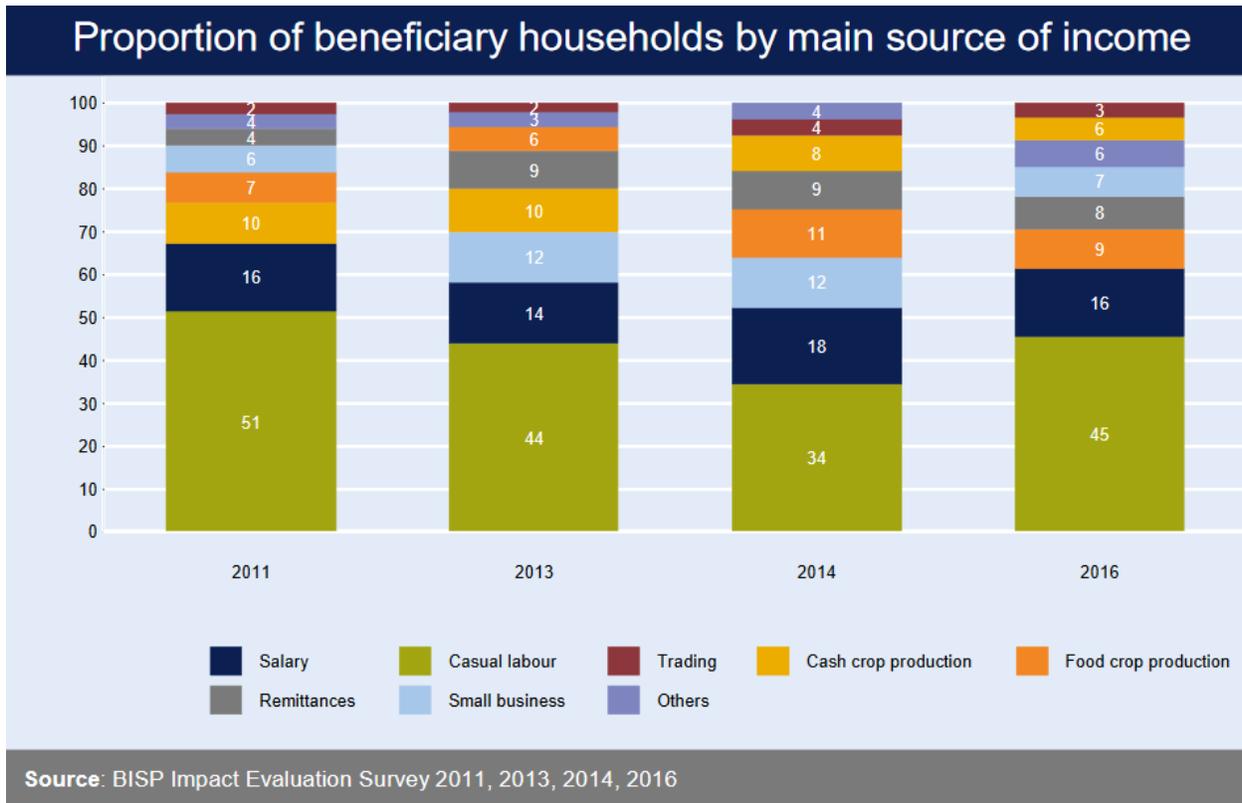
For BISP beneficiary households, **almost a third depend on casual labour** such as seasonal agricultural work as the main source of income. Casual labour is commonly indicative of poor job quality, low wages and vulnerability to cyclical and seasonal shifts. They are employed outside of formal labour laws and protection³³. Trends in sources of income for BISP beneficiaries are in Figure 5 below, sourced from OPM's report.³⁴ However, this rate of dependence is falling over the period, from 51% of beneficiary households in 2011 to 45% of beneficiary households in 2016. OPM finds that BISP has had a significant contribution to this falling dependence on casual labour as the primary source of income³⁵.

³³ "How has the welfare of BISP beneficiary trends changed over time?." <http://bisp.gov.pk/wp-content/uploads/2017/02/BISP-beneficiary-trends-changed-over-time.pdf>

³⁴ Ibid

³⁵ Ibid

Figure 5: Main Source of Income of Beneficiaries



Note: The increase in the proportion of households dependent on casual labour between 2014 and 2016 is linked to the seasonality of the survey, and differences in the demand for casual labour around the year.

2.2.2 Gendered Labor & Limitations

The gendered division of labour is a barrier to women’s access to technologies, training, and microfinance. Agribusinesses ignore women’s role and when adopting advanced practices and methods, and marginalize them as caregivers. Gender norms and stereotypes also shape the extent of involvement of women in entrepreneurial activities, just like in other spheres of life. As part of their normative reproductive and caretaking responsibilities, women are often engaged in fetching water and collecting fuel from far off places. With climate change and scarcity straining these resources, these women have to spend more time and effort in accessing them. This leaves them with even less time to engage in other activities. They depend on male patronage, with limited decision-making, mobility and financial resources. **As a result, women are often prevented from making enough time and resource investments needed to make their ventures successful**³⁶.

Male out-migration is a common livelihood strategy, especially in rain-fed agriculture areas and those prone to floods and droughts.. In such circumstances, women are left behind in rural areas to take on responsibilities of the men, manage livestock, ensure food security of the household etc. **This does not**

³⁶ "Status of Rural Women of Pakistan | UN Women – Asia-Pacific." <http://asiapacific.unwomen.org/en/digital-library/publications/2018/08/status-of-rural-women-of-pakistan>

necessarily lead to shifts in women's agency, rather it increases the burden of responsibility, further straining their capacities³⁷.

Another challenge is legal ownership of assets. Due to complex requirements of ownership registration/transfer etc., often assets are registered in the name of male family members. Women don't appear in government databases such as agriculture land ownership and face challenges securing collateral based loans or access financial services³⁸. The patriarchal nature of society in Pakistan also contributes to depriving women of their share in inheritance. Most men acknowledge the right of land ownership for women but show no intention of giving land to the women in their families as it would unbalance social relations³⁹.

Controlling behaviors exhibited by men in the family also inhibit women from realizing their potential⁴⁰. Husbands of approximately 19% of rural women insist that they know where their wives are at all times. 9% of women are not permitted to meet their friends, and 7% were only allowed limited contact with their families. Among the ones who did not have these restrictions, 28% say that their husbands get jealous when they talk to other men.

GIWPS finds that just about half (51%) of the women in Pakistan have a perception of safety in their communities.

2.3 DECISION MAKING DYNAMICS

A World Bank study on women's decision-making power reveals that while men are likely to be in charge of more strategic household decisions (e.g. employment, education) and women are largely involved in decisions about daily life (e.g. food, clothing, hygiene), it is not a common trend⁴¹. Pakistani households largely behave as a collective model: household members have distinct preferences and final decisions fall somewhere along the spectrum between full cooperation and conflict. The decision-making power varies and where it's stronger for women, household investments shift from food and transportation to education, medical care, clothing, and lighting⁴².

2.3.1 Financial Decisions

A Gender Assessment report by Asian Development Bank⁴³ reported that 70% women and 61% men agree that women should participate in household financial decisions. Those who disagree mention reasons like 'not a woman's business' and 'women lacked knowledge'. Among women who earn, around 52% have the power to make decisions on where to spend their money, 35% decide in partnership with their husbands, and 10% and 3% have their husbands or others make all financial decisions respectively. When women have more power, households tend to eat better quality of food such as fruits and vegetable, and hence consume more calories when compared to grains. They also spend more on education when given the power, and children's school enrollment is significantly higher for girls in such households. Nutrition and

³⁷ Ibid

³⁸ "Women's Land Rights: Research Findings from Pakistan 1 - SDPI." <https://www.sdpi.org/publications/files/Microsoft%20Word%20-%20project%20report%2018.pdf>

³⁹ Ibid

⁴⁰ "Status of Rural Women of Pakistan | UN Women – Asia-Pacific." <http://asiapacific.unwomen.org/en/digital-library/publications/2018/08/status-of-rural-women-of-pakistan>

⁴¹ "World Bank Document - CrossAsia-Repository." <http://crossasia-repository.ub.uni-heidelberg.de/3614/1/Women%20Decision%20Making%20Pakistan.pdf>

⁴² Ibid

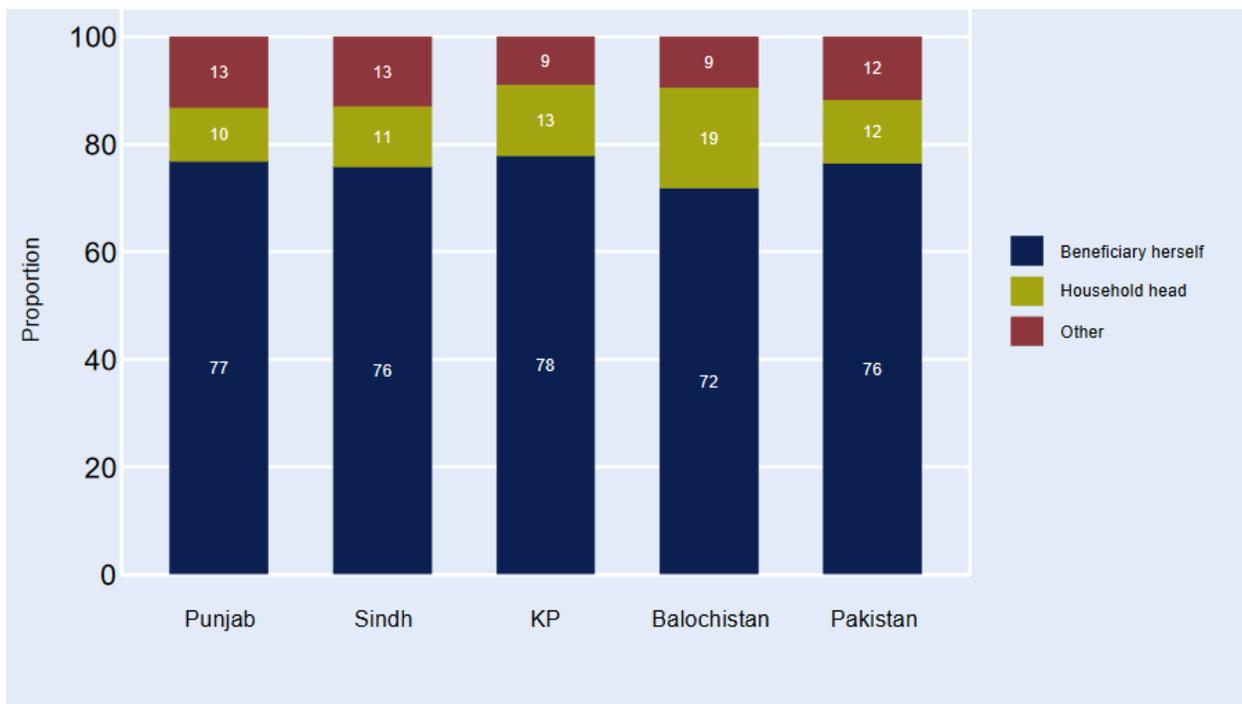
⁴³ "Pakistan: Country Gender Assessment - Overall Gender Analysis" <https://www.adb.org/documents/pakistan-country-gender-assessment-overall-gender-analysis>

literacy, both critical factors in development, are hence positively linked with women’s decision-making power⁴⁴.

2.3.2 Perception Changes

In recent years, BISP appears to have shifted some normative perceptions and beliefs. An evaluation by **Oxford Policy Management**⁴⁵ concluded that cash transfer has increased freedom of choice of women regarding their personal expenditure. A significant number of beneficiaries, **76% in 2016**, stated that they have complete control over the grant amount and only gave the money to other family members in times of crisis. A province-wise breakdown is provided in Figure 7. Women are also given more importance in the family as a result of the cash they receive and have greater bargaining power in the house. Men in their families have become more accepting about them leaving the house, and are also more trusting of their ability to make sound decisions.

Figure 6: Control of BISP Grant



Source: BISP Impact Evaluation Survey 2016

⁴⁴ Ibid

⁴⁵ "BISP second impact evaluation report - Benazir Income Support" 1 Dec. 2015, <http://bisp.gov.pk/wp-content/uploads/2016/10/2ndImpactEvaluation.pdf>

2.4 FINANCIAL INCLUSION

Financial inclusion has been particularly slow for women due to social norms⁴⁶. While exceptions exist, a majority of these norms generally limit interaction between women and men outside the family. It therefore becomes more difficult for women to act as customers of a variety of services - including financial - as it requires interaction with unrelated men given that most jobs are male-dominated. When it comes to mobile money, which theoretically avoids these interactions, there are still several important obstacles. Even though mobile money enables registration and payment processes can be conducted in the privacy of one's own home, cash-in/cash-out still needs interaction with agents, almost all of whom in Pakistan are men. These agents are not empathetic to women and take advantage of the naivety of women who don't understand how mobile money works. HCD study⁴⁷ on biometric cash-withdrawals for BISP explored the context of financial leakages at agent level in detail.

2.4.1 Literacy & Numeracy

A significant challenge in financial inclusion for poor women is also illiteracy and innumeracy⁴⁸. Financial inclusion systems that work in theory are rendered useless when the target women are unable to interact with them. To be considered literate in Pakistan, a person must be able to write their own name. Most women are unable to meet even this bar, making communicating with financial interfaces even harder. Remembering and managing PIN codes is very difficult and women mostly hand over PIN codes written on paper to retailers. Navigating ATM menus is also very difficult for most illiterate women.

2.4.2 Account Ownership

Overall account ownership for women in Pakistan is very low. The national rate has surged among men since 2011 but remained roughly the same among women⁴⁹. **In 2017, 20% of men were financially included compared to only 7% of women**⁵⁰. Men also have higher adoptability of digital financial services. The gender gap in access to a mobile phone is 13 percentage points: 84% of men versus 71% of women have access. Proportion of men with SIM card ownership is double that of women: 78% of men versus 39% of women own a SIM card. Text messaging, a key indicator of capability to use digital financial services, is twice as prevalent among men: 68% of men versus 34% of women have ever sent or received a text message⁵¹.

The gender imbalance has grown since 2014 as percentage of male non-users of financial services decreased, while the female portion of the group has remained the same.

2.4.3 Discrimination by Financial Institutions

Women count on informal sources for access to credit, as formal banking channels do not offer a value added proposition to them. The same also holds true for men. Even though it is not apparent in the legal framework of banks, evidence points to some discrimination based on gender in approval of loans⁵². This is magnified by the fact that women lack rights to land or access to any other form of collateral as compared to men, which is a requirement for a loan in many commercial banks. Thus, they are often refused or are subjected to their

⁴⁶ "Pakistan's Gender Gap in Financial Inclusion - CGAP." <http://www.cgap.org/blog/pakistans-gender-gap-financial-inclusion>

⁴⁷ HCD Study, Biometric Based Cash Withdrawals, Karandaaz

⁴⁸ "Financial Inclusion for the Poorest Women in Pakistan - CGAP." <http://www.cgap.org/research/slide-deck/financial-inclusion-poorest-women-pakistan>

⁴⁹ "World Bank Global Findex, 2017."

https://globalfindex.worldbank.org/sites/globalfindex/files/chapters/2017%20Findex%20full%20report_chapter1.pdf

⁵⁰ "FII Pakistan 2017 Wave 5 Report - Financial Inclusion Insights." http://finclusion.org/uploads/file/pakistan-wave-5-report_final.pdf

⁵¹ Ibid

⁵² "Financial Inclusion of Women in Pakistan." <https://depts.washington.edu/esreview/wordpress/wp-content/uploads/2016/06/Financial-Inclusion-in-Pakistan.pdf>

husband's credit history. Similarly, women are generally treated as dependents (unless they have a formal source of income) and are required to get their husband/guardian to provide source of income proof to open bank accounts.

2.4.4 Savings

Poor households often lack access to secure means of saving. Financial savings ratio remains low among BISP beneficiaries, with **just 13% with any form of savings in 2016**. This, however, has increased from 2011 when just 9% of beneficiaries reported to have some savings⁵³. ROSCAs remain popular method of saving.

2.4.5 Use of Safety Net Transfers

Table 1 below provides a look at where the BISP cash is spent by the beneficiaries⁵⁴.

Table 1: Utilization of BISP Payments

	Pakistan	Punjab	Sindh	KP	Balochistan
% of households who reported at least some expenditure on...					
<i>Food</i>	80	76	83	83	73
<i>Education</i>	16	22	8	18	23
<i>Health</i>	55	46	62	60	67
<i>Clothing</i>	48	47	61	36	29
<i>Loan</i>	13	10	11	20	9
<i>Saving</i>	0	0	0	0	4
<i>Investment</i>	0	0	0	0	0

Source: BISP Impact Evaluation Survey 2016

⁵³ "How has the welfare of BISP beneficiary trends changed over time?" <http://bisp.gov.pk/wp-content/uploads/2017/02/BISP-beneficiary-trends-changed-over-time.pdf>. Accessed 19 Nov. 2018.

⁵⁴ "OPM Report Template version 5 - Benazir Income Support Programme." 1 Jun. 2016, http://bisp.gov.pk/wp-content/uploads/2017/02/BISP_FinalImpactEvaluationReport_FINAL-5.pdf

PART II: D3 PRINCIPLES

3. Core System Enablers

3.1 EFFECTIVE PUBLIC FINANCIAL MANAGEMENT SYSTEMS (PFM)

BISP is allocated a budget annually as part of the annual Federal budgeting exercise. The BISP budget is classified as a "Development Expenditure outside of the Public Sector Development Program (PSDP)"⁵⁵ as a single line entry. The funds flow risk from government treasury department to BISP has been marked low by the World Bank^{56 57}. This is primarily due to the fact that the GoP share of expenditure on social safety net has consistently increased in terms of size of budget and share of donor funds, despite the change of government in 2013 and 2018. BISP is the entity responsible for the efficient utilization of funds, once received from the government treasury. The financial management of funds is the responsibility of BISP as an autonomous organization.⁵⁸

BISP is a body corporate having perpetual succession and common seal with the power to acquire and hold property, established under BISP Act 2010.⁵⁹ The President and Prime Minister of Pakistan serve as Chief Patron and Executive Patron of the program. The BISP Board consists of 9-11 members selected from government, non-government organizations and technical experts appointed for 3 years. The Secretary of the Board is appointed by the Federal Government and is also the Principal Accounting Officer. The Chairperson of the Board provides strategic guidance to the program and ensures implementation of the program in accordance with the decisions of the Board. The Secretary is responsible for the preparation of budget estimates each year, in accordance with the financial procedures approved by the Board and submits the budget for approval of the Board. BISP maintains accounts as prescribed by the Auditor General of Pakistan.⁶⁰

In 2017, the overall **Fiduciary Risk at BISP was marked as moderate**, but the **Financial Management Risk at BISP was highlighted as significant**. As detailed in Table 2 below, significant support may be required in the 'Detection Risk', i.e. the right people are being served the right amount. World Bank opines that the same could be achieved through strengthening of the Internal Audit Department of BISP, bringing down the overall risk profile to moderate for the entire program.

⁵⁵ "Budget in Brief 2018-19 - Ministry of Finance." 27 Apr. 2018, page 45.

http://www.finance.gov.pk/budget/Budget_in_Brief_2018_19.pdf.

⁵⁶ "Technical Assessment - World Bank Documents - World Bank Group." 31 Mar. 2017,

<http://documents.worldbank.org/curated/en/111621489672698369/pdf/113568-FSA-PUBLIC-P158643-Pakistan-National-Social-Protection-PforR-Technical-Assessment.pdf>.

⁵⁷ "Fiduciary - World Bank Documents."

<http://documents.worldbank.org/curated/en/347721489673030088/pdf/113569-FSA-PUBLIC-P158643-Pakistan-National-Social-Protection-PforR-Fiduciary-Systems-Assessment.pdf>. Accessed 19 Dec. 2018.

⁵⁸ "Pakistan National Social Protection Program-for-Results, Fiduciary Systems Assessment - World Bank Documents."

<http://documents.worldbank.org/curated/en/347721489673030088/pdf/113569-FSA-PUBLIC-P158643-Pakistan-National-Social-Protection-PforR-Fiduciary-Systems-Assessment.pdf>.

⁵⁹ "BISP ACT - Benazir Income Support Programme." 18 Aug. 2010, http://bisp.gov.pk/wp-content/uploads/2016/10/BISP_ACT_2010.pdf

⁶⁰ "Pakistan National Social Protection Program-for-Results, Fiduciary Systems Assessment - World Bank Documents."

<http://documents.worldbank.org/curated/en/347721489673030088/pdf/113569-FSA-PUBLIC-P158643-Pakistan-National-Social-Protection-PforR-Fiduciary-Systems-Assessment.pdf>

Table 2: World Bank’s Fiduciary Risk Assessment 2017⁶¹

Risk	Initial FM Risk	Mitigation Measure
Country level	Substantial	
Budgeting	Low	Adopt Multi-year planning Align Budget with procurement plans Prepare Budget Comparison and Analysis report on monthly basis
Fund flow	Low	Government of Pakistan share of expenditure on Social Safety net has consistently improved in terms of size of budget as well in proportion to donor funds.
Accounting	Moderate	Adopt IPSAS Cash basis Integrate with PIFRA IFMIS
Internal Control	Moderate	Ensure regular meetings of Internal Audit Committee Track actions on recommendations of Internal Audit Notify time limits for payment authorization. Ensure implementation of job description for procurement and payment authorization functions. Conduct regular verification audit of beneficiary existence. Capacity building program to be developed to build capacity in financial management, and procurement should be developed during Program preparation.
Procurement	Moderate	Regular and well experienced and qualified procurement staff should be maintained during the life of the program Capacity building plan to be developed to deliver workshops should be held frequently to equip/update staff about new emerging trends/techniques in the field of Procurement and Contract Management. Procurement Manual (covering the complete procurement cycle – planning, tendering, evaluation, award and contract management with clear roles, responsibilities and timelines for each step or process) can be revisited for further improvement. A detailed discussion and action plan is required with BISP Management on how to successfully institutionalize the manual prior to launching of program Oversight of Procurement function needs to be strengthened at the BISP top management level Complaint Mechanism needs to be strengthened for more efficiency with proper dissemination There should be an annual third party procurement performance review (on a 20% random sample basis) for ensuring the required level of performance and compliance to the manuals, policies, rules and SOPs. TORs for this review will be mutually discussed and agreed by the Bank and BISP teams.
Financial Reporting	Moderate	Regular training of FM staff
Audit	Moderate	Audit for Bank Funded Program is carried out by the Auditor General of Pakistan. DAC meetings should be done on timely basis
Detection Risk	Substantial	Internal Audit Unit should perform regular audit of beneficiary existence. Annual System audit of IT resources.
Overall Risk	Moderate	

3.2 NETWORK RELIABILITY

The current BISP payment modality at the end of October 2018, uses the Post Office (1%), the Benazir Debit Card (27%) and payments through Branchless Banking agents after bio-metric verification (72%). The

⁶¹ "Pakistan National Social Protection Program-for-Results, Fiduciary Systems Assessment - World Bank Documents." <http://documents.worldbank.org/curated/en/347721489673030088/pdf/113569-FSA-PUBLIC-P158643-Pakistan-National-Social-Protection-PforR-Fiduciary-Systems-Assessment.pdf>

conversion of the accounts from BDC to the BVS is progressing rapidly. As of Nov 2018, **72% of 5.7 million beneficiaries** were able to withdraw their grant money through biometric branchless banking agents.. BISP was able to undertake this shift because of the availability of network coverage and reliable branchless banking infrastructure (detailed in [Section 3.3](#)). **BISP is confident that they will be able to disburse grants to 99% of the beneficiaries through biometric BB agent network by March 2019**⁶². The last 1% of beneficiaries, which are in the hard to reach areas, will be served using the money order service offered through Pakistan Post. BISP payments team did not indicate anything relating to non-payments due to less reliable network and security issues concerned with digital payments, but interviews with the Monitoring and Evaluation team along with the Field Services department for reporting of such complaints are needed to verify.⁶³

The network availability and service availability provided by existing Telcos in the major cities and connecting sub-urban areas is **graded as above satisfactory** in a **QoS survey by PTA** in 2017⁶⁴. To cover the hardest to reach areas of Pakistan, **Universal Service Fund (USF)** is focused on increasing rural penetration⁶⁵. There is adequate mobile network coverage in Pakistan with increasing penetration in the hardest-to-reach areas, which lays foundation for smooth Cash In Cash Out (CICO) agent operations for BISP payments and secondly, ensure communication to and from beneficiaries in case of grievance redressal.

Not every telco agent can become a financial services CICO agent as there is a minimum criteria and turnover required as per State Bank's policy⁶⁶ to qualify as a CICO agent. The the estimated number of total active CICO agents is 70,000 throughout Pakistan. Fulfilling the minimum criteria to be an CICO agent remains a challenge for agents present in remote villages of Pakistan. These agents mostly do mobile recharge services but they are not enabled to do CICO. With the recent changes in the Branchless Banking Regulations, the CICO agent needs to have a biometric verification ability, which has slowed down the CICO agent growth as branchless banking operators had to deploy biometric verification devices.

Not all active CICO agents are available for BISP related transactions because **BISP is only utilizing Telenor, UBL and HBL Bank's agent network**. Even among these agents, BISP and the banking partners have used a strict criteria to select a CICO agent who can disburse BISP grants, which further reduces the number of available agents. This criteria is established based on experience and to minimize the chances of fraud.

3.3 PAYMENT SYSTEMS INTEROPERABILITY AND INFRASTRUCTURE

Pakistan's payment systems have evolved significantly over the last decade, with the development of new payment instruments, electronic payment infrastructure and changing consumer needs⁶⁷. The progress has resulted in a transition from traditional paper instruments to electronic payment instruments, supported by an efficient and reliable infrastructure. The **Payment Systems & Electronic Fund Transfer Act 2007** lays down the roles and responsibilities of the State Bank of Pakistan in payment systems. Its Payment Systems Department oversees and regulates payment systems in Pakistan.

⁶² Meeting with BISP Payments team, November 2018

⁶³ In person data gathered during interview with Head of Payments, BISP on 30th Nov, 2018.

⁶⁴ "Annex-B Consolidated Survey Results Technical - Final - 6.11 ... - PTA." https://www.pta.gov.pk/assets/media/annex_b_technical_020118.pdf

⁶⁵ "USF :: About Us - Universal Service Fund." <https://usf.org.pk/aboutus/content/com-profile>.

⁶⁶ "Framework for Branchless Banking Agent Acquisition and Management." <http://www.sbp.org.pk/bprd/2016/C6-Annx-A.pdf>

⁶⁷ "Read for more detail - State Bank of Pakistan." <http://www.sbp.org.pk/PS/Key.asp>

3.3.1 Banking Infrastructure

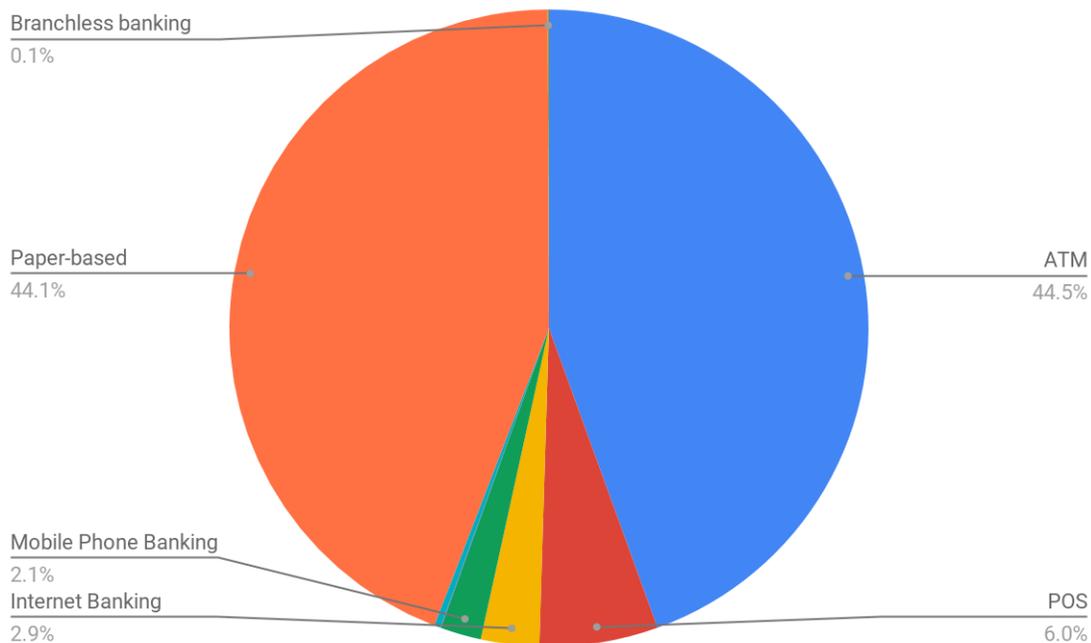
There are 32 Scheduled Banks, 11 Microfinance Banks, 8 Development Finance Institutions and 2 Specialized Banks operating in Pakistan as of June 2018. Bank branches grew from 14,293 to 14,970 in a year, showing a Year-over-Year (YoY) growth of 4.7%. In addition, there are 278 sub-branches and 331 permanent booths providing limited banking facilities⁶⁸.

The number of installed ATMs reached 14,019 in June 2018 from 12,689 in the previous year. 11,366 of these are on-site with bank branches, and 2,648 are at off-site locations like hospitals and shopping malls. 2,324 of the total ATMs are equipped with scanners for biometric authentication⁶⁹.

The total number of POS machines stood are 53,511, declining from 54,490 last year, and the number of payment cards (debit cards, ATM-only cards, credit cards, prepaid cards, social welfare cards) issued reached 40.9 million from 36.6 million in the last year.

3.3.2 Payment Channels

Figure 7: Distribution by Volume of Transactions⁷⁰



Paper-based Instruments

Paper-based instruments in Pakistan are the preferred mode of payment, with paper currency being the most important. Instruments like cheques, pay order, demand drafts etc. are also operational⁷¹. Cheques, used for cash withdrawals and funds transfers, drive the value of paper-based transactions. To reduce the risk of

⁶⁸ "Payment Systems Annual Reviews Fiscal Year 2017-2018." 30 June. 2018, <http://www.sbp.org.pk/PS/PDF/FiscalYear-2017-18.pdf>

⁶⁹ Ibid

⁷⁰ Ibid

⁷¹ "Read for more detail - State Bank of Pakistan." <http://www.sbp.org.pk/PS/RVPS.htm>

fraud, SBP has issued guidelines on standardization of layout and security features of cheques, pay orders and demand drafts.

During 2017-2018, 466.5 million transactions worth Rs. 15.4 trillion were carried out through paper-based instruments. These was a growth of 3.3 % in volume of transactions and 7.7 % in value of transactions⁷².

Automated Teller Machines (ATMs)

As a core banking touchpoint and a major enabler for access to funds, ATMs play a key role in Pakistan's banking landscape. The ATM network in the country is interoperable through 1Link. Financial Institutions in Pakistan are providing host of banking services including cash withdrawals, funds transfer, payment of utility bills, balance enquiries, statement & cheque book requests etc. at ATM locations. Despite the availability of wide range of services on ATMs, cash withdrawals lead with the highest volume and value of transactions.

During FY18, ATMs processed 470.6 million transactions, amounting to Rs. 5.5 trillion. This was a YoY growth of 18.3% by volume and 21.6% by value⁷³.

Internet Banking

Internet banking has become an important delivery channel for banking services enabling banks to offer traditional banking services like access to one or multiple accounts for fund transfers, bill payments and card payments etc through internet.

28 Banks in Pakistan offer internet banking services, with 3.1 million registered internet banking users. **During FY18, 31.2 million transactions of Rs. 1.2 trillion in value were processed by this channel,** a growth of 24% and 30% from previous year respectively⁷⁴.

POS Network

POS terminals in Pakistan have been expanding and are used to provide consumers facility to make payments through debit and credit cards. Six banks are in the business of open-loop POS acquiring, whereas three banks are providing close-loop services on POS.

63.5 million POS transactions occurred in FY18, amounting to a value of Rs. 290 billion. This is a YoY growth of 25.7% by volume, and 20.7% by value. However, due to low uptake of merchant onboarding and limited usage of debit card for retail transactions, **POS still only have an 8.4% share in total volume of transaction,** with their value share being a trivial 0.6%⁷⁵.

Mobile Banking

Mobile banking is similar to Internet banking in that it provides a fast and convenient way of performing common banking transactions. Mobile Phone/App based Banking is being offered by 21 Banks (including Microfinance banks) to 3.4 million registered users, as of June 2018. The channel showed an enormous growth of 195.6% in volume and 189.8% value from the previous year, with **21.8 million transactions worth Rs. 409.8 Billion in FY18**⁷⁶. However, this is still a minute proportion in the total share of payment systems.

⁷² "Payment Systems Annual Reviews Fiscal Year 2017-2018." 30 June. 2018, <http://www.sbp.org.pk/PS/PDF/FiscalYear-2017-18.pdf>

⁷³ Ibid

⁷⁴ Ibid

⁷⁵ Ibid

⁷⁶ Ibid

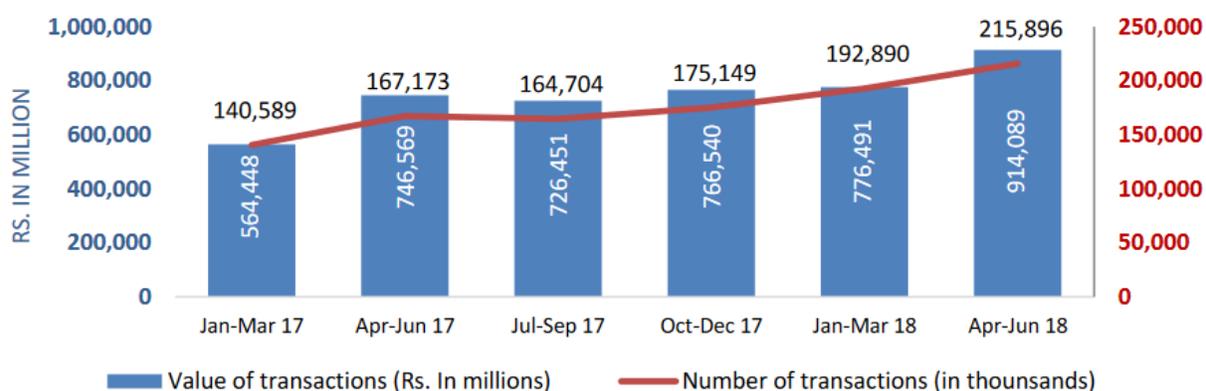
Branchless Banking & Mobile Money

Branchless Banking has emerged as a new and innovative channel for financial services, especially to financially excluded groups. The use of agents by financial institutions in partnerships with Mobile Network Operators(MNOs) or using their own platform have been instrumental in providing basic financial services such as fund transfer, utility bill payment, retail payments, donations etc. to customers who earlier didn't have access to banking services at their close proximity.

The government has been using BB channel to distribute government payments such as Benazir Income Support Programme(BISP), Watan Cards and payments to Internally Displaced People(IDPs) and flood affected people.

In April of 2018, Branchless Banking accounts stood at 39.2 million, 30.9 million of which were owned by men and 8.3 million by women. Active accounts were 21.8 million. An amount of Rs.37.9 billion was disbursed as social welfare related payments during April-June 2018. Out of these, BISP disbursements were Rs. 27.1 Billion (71%)⁷⁷.

Figure 8: Trends in Branchless Banking⁷⁸



3.3.3 Pakistan's Mobile Money Landscape

Pakistan's mobile money landscape has been expanding as part of the State Bank's focused efforts towards greater financial inclusion. The tables below provide a quick look at the statistics related to the trend.

⁷⁷ "Issue: 28 - State Bank of Pakistan." 30 Jun. 2018, <http://www.sbp.org.pk/publications/acd/2018/BranchlessBanking-Apr-Jun-2018.pdf>

⁷⁸ "Branchless Banking Newsletter Apr-Jun 2018 - State Bank of Pakistan." 30 Jun. 2018, <http://www.sbp.org.pk/publications/acd/2018/BranchlessBanking-Apr-Jun-2018.pdf>

Table 3: Mobile Money Landscape

Registered agent tills ⁷⁹	Non-exclusivity deflator	Multiple till deflator	Agent outlet estimate	Agent activity rate ⁸⁰	Active agent outlet estimate
405,673	38%	95%	146,448	48%	69,580

Adult population (ages 15-64) ⁸¹	Adult population to active agent outlet ratio
129,301,571	1,858

Table 4: Trends in Mobile Money

	2014 ⁸²	2017	Change
Agent outlet estimate	74,860	146,448	96%
Active agent outlet estimate	58,510	69,580	19%
Adult population to active agent outlet ratio	1,908	1,858	-3%

From a sample of 2,208 agents in a research by **Helix Institute (2017)**⁸³, only 2 were women. Furthermore, only 2% women reported using mobile money compared to 14% men. In rural areas, 20% of agents said they don't have any women customers.

When using the number of mobile money agents to assess access to finance, it is important note the distinction between agent tills and agent outlets; an agent till refers to the a single device provided by a mobile money provider whereas an agent outlet refers to a physical location that might house multiple tills belonging to different mobile money providers. Given the importance of the geolocation of a mobile money agent when assessing access to finance, counting the number of agent outlets instead of agent tills will present a more accurate statistic. Some agent outlets have multiple tills from the same mobile money provider so they need to be accounted for as well. Additionally, many mobile agents become inactive in terms of providing services to customers; these agents should not be counted either. Therefore, to paint an accurate picture of access to mobile money agents in Pakistan, the number of active mobile money agent outlets after accounting for multiple tills should be used⁸⁴.

⁷⁹ Regulator-provided figure, obtained from "Branchless Banking Newsletter Oct-Dec 2017 - State Bank of Pakistan." 17 Dec. 2017, <http://www.sbp.org.pk/publications/acd/2017/BranchlessBanking-Oct-Dec-2017.pdf>

⁸⁰ Calculated using the regulator-provided active agents figure, obtained from "Branchless Banking Newsletter Oct-Dec 2017 - State Bank of Pakistan." 17 Dec. 2017, <http://www.sbp.org.pk/publications/acd/2017/BranchlessBanking-Oct-Dec-2017.pdf>

⁸¹ Calculated using SP.POP.TOTL and SP.POP.1564.TO.ZS indicators from the World Bank World Development Indicators databank.

⁸² "Agents count - Helix Institute of Digital Finance." <http://www.helix-institute.com/sites/default/files/Publications/Agents%20Count.pdf>

⁸³ "Pakistan - Helix Institute of Digital Finance." <http://www.helix-institute.com/sites/default/files/Publications/Pakistan%20Report.pdf>.

⁸⁴ "Agents count - Helix Institute of Digital Finance." <http://www.helix-institute.com/sites/default/files/Publications/Agents%20Count.pdf>

An agent outlet having multiple tills can lead to more competition among mobile money providers, increased access to mobile money services of choice for consumers and increased revenue for the agent outlet. In Pakistan, the average monthly profit for non-exclusive agents is PKR 7,400 compared to just PKR 3,200 for exclusive agents. This non-exclusivity of mobile money agents is a key attribute of Pakistan’s mobile money landscape as Pakistan leads the world in this regard. Mobile money agents in Pakistan are almost all non-dedicated as well as they offer services in parallel to the existing business of their shops. These non-dedicated agents conduct a greater number of daily transactions than dedicated agent, so non-dedicated and non-exclusive agents are a positive sign of Pakistan’s mobile money landscape ⁸⁵.

What does the mobile money landscape in Pakistan look like using the most recent regulator-provided numbers for registered and active mobile money agents? As a disclaimer, the numbers we used for non-exclusivity and multiple till deflators were obtained from a prior study done using a nationally representative sample of agents; our calculations are an extension of that study. The non-exclusivity deflator accounts for agent outlets having tills from multiple DFS providers and the multiple till deflator accounts for agent outlets having multiple tills from the same DFS provider; such agent outlets are counted as just one entity. The agent activity rate is the percentage of active agent tills over registered agent tills⁸⁶.

Table 5: Growth of Payment Infrastructure in Pakistan 2014 - 2017⁸⁷

Fields	2014	2015	2016	2017
Total number of ATMs	9,050	10,793	12,371	13,409
ATMs per 1,000 km ²	11.74	14	16.05	17.39
ATMs per 100,000 adults	7.53	8.77	9.83	10.44
Mobile money agent tills: registered	204,073	301,823	359,806	405,673
Mobile money agent tills: active	159,500	232,637	210,581	192,741
Mobile money agent tills: active per 1000 km ²	206.91	301.78	273.17	250.03
Mobile money agent tills: active per 100,000 adults	132.67	189.04	167.40	150.00
Mobile money accounts: registered	5,414,655	15,322,171	19,964,900	37,260,215
Mobile money accounts: active	2,333,780	6,241,579	9,799,620	19,259,427

The mobile money consumer landscape in Pakistan has also shaped recently. **The number of registered mobile money accounts has increased by nearly 600% while the number of active accounts increased by 725% over the same time period.** The increase in the number of active agent outlets, however, has been only 19%. Although this may seem like a far greater increase in the demand than in supply, the ratio of the adult population to active agent outlets has remained almost the same. Moreover, the number of active agent

⁸⁵ "Agent Network Accelerator Research - Responsible Finance Forum." <https://responsiblefinanceforum.org/wp-content/uploads/2017/09/170921-ANA-Pakistan-Web-FINAL.pdf>

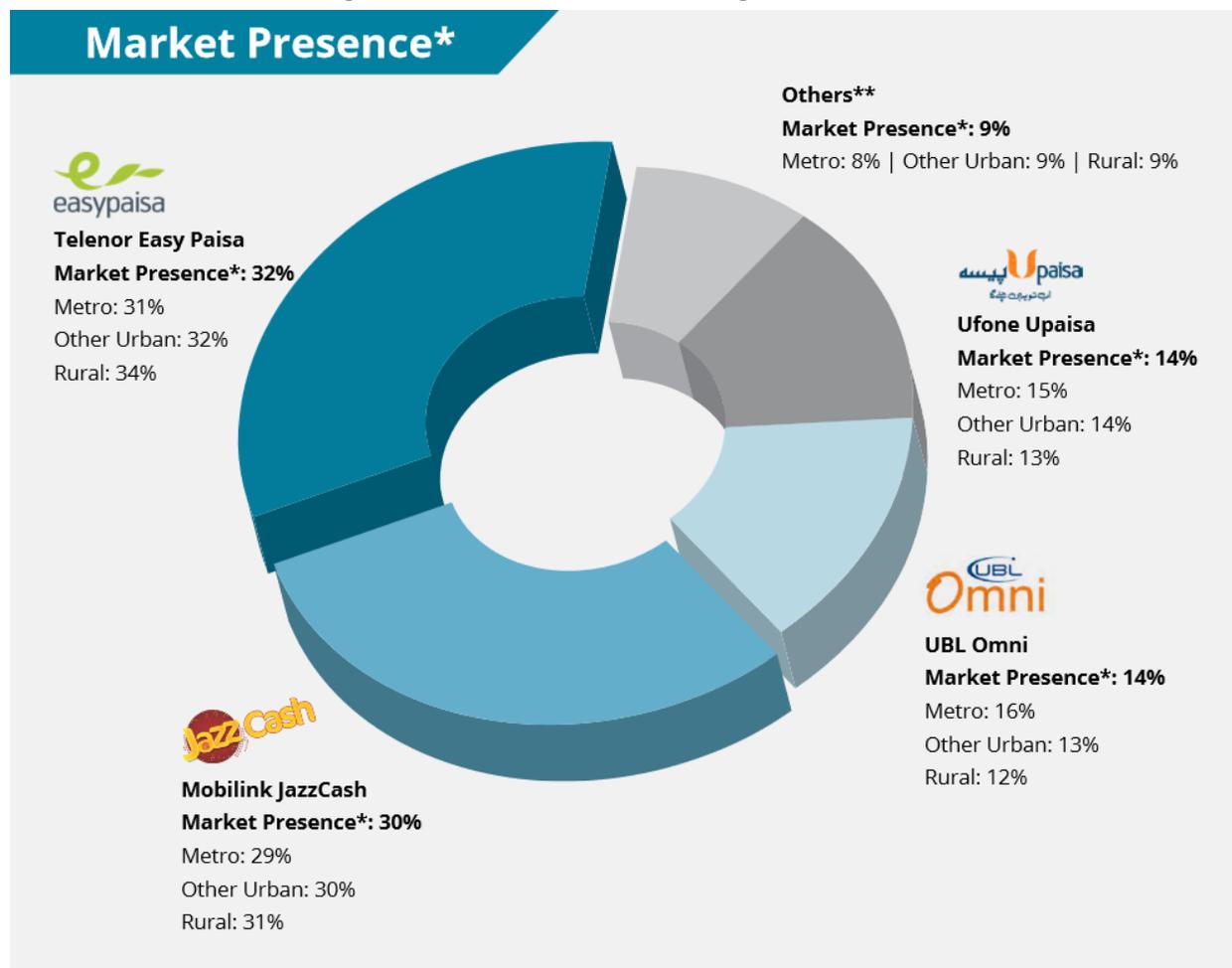
⁸⁶ "Agents count - Amazon AWS." http://s3-eu-central-1.amazonaws.com/fsd-circle/wp-content/uploads/2017/03/31064542/Agents_Count.pdf. Accessed 30 Nov. 2018.

⁸⁷ "IMF Data - IMF Data Home Page - At a Glance." <https://data.imf.org/>

outlets increased even when the agent activity rate fell from 78% to 48%. This suggests that mobile money consumers are still being served. However, it is important to note that the number for the active agent outlets is only an estimate and therefore, more research needs to be done to more accurately assess the access to mobile money agents in Pakistan, taking the geolocation of agents into account. Regardless, the huge increase in the uptake of mobile money accounts is a very positive sign for the future of DFS in Pakistan.

It is to be noted, however, that BISP only utilizes Telenor’s and UBL’s mobile money agents at present. As such, the proportion is shown in Figure 9 below.

Figure 9: Market Share of Mobile Agent Networks⁸⁸



3.3.4 Interoperability

In Pakistan, the **1Link banking switch** allows for account-to-account payments between branchless banking accounts and bank accounts using Inter Bank Funds Transfer (IBFT) facility. Payment cards can be used at ATMs of any bank. Bill & Melinda Gates Foundation is working with State Bank of Pakistan to create a payment infrastructure that can create requisite Interoperability in the market. This support is provided through Karandaaz Pakistan under a project **'Micro Payments Gateway'** which is based on **LevelOne Principles** and has the objective to create a low-cost interoperable, real time payment system. Part of the

⁸⁸ "Pakistan - Helix Institute of Digital Finance." <http://www.helix-institute.com/sites/default/files/Publications/Pakistan%20Report.pdf>

Micro Payments Gateway will be to digitize G2P flows and offer programs like BISP a Bulk Payment module using which BISP could push the payments directly to bank accounts of beneficiaries. Other advantages including lower cost of transfers, almost real time reporting and will help **BISP** to move away from its current model of working with 6 banks.

In October 2018, **17 banks signed up for 1Link's biometric interoperability scheme**⁸⁹. Called 1LINK 1ID, it provides the rails to interconnect closed loop, biometrically-enabled payment networks to perform transactions in an open loop environment via 1Link. Currently banks have their own dedicated one-to-one links with NADRA to use biometric services which had resulted in pricing inefficiencies in access of biometrics. Other than agents networks, this would also allow for authentication of transactions at ATMs through biometric verification instead of just PINs. **This will promote the objective of making financial services accessible, simple and convenient for the underserved, such as BISP beneficiaries.**

Branchless banking account access interoperability i.e accessing any account through any mobile network using unified USSD channel, is still a work in progress. **Regulations were put in place in mid 2016** to create an enabling environment whereby all banks and all mobile network operators will be able to entertain each other's customers using a USSD switch, pushing forward the objectives of the National Financial Inclusion Strategy (NFIS)⁹⁰. While technical piloting has been done, and State Bank has pushed the market along with Pakistan Telecom Authority to adopt unified USSD channel scheme, however there is lack of consensus in the financial services providers over the commercials of the scheme due to which they have not implemented this.

Interoperability is one of the key features of the **New Payment Model NPM** of **BISP** in order to facilitate and provide more choices to BISP beneficiary. This payment model is still under approval process as of Nov 2018. NPM has been discussed in detail in the digitize section.

3.4 PRO-FINANCIAL INCLUSION POLICY AND REGULATION THAT ENABLES

3.4.1 National Financial Inclusion Strategy (NFIS)

The government of Pakistan developed a **National Financial Inclusion Strategy**⁹¹ (NFIS) in **May 2015**, in consultation with World Bank⁹². One of the ambitious goals set by NFIS is to **achieve 50% Financial Inclusion by 2020**. At the time of the announcement only 13% adult population was banked. **Within three years, the banked adult population stands at 21% (2017)**⁹³. While the improvement in numbers is promising, there is still a long way to go.

There has been a general **20% increase**⁹⁴ in Cash-in Cash-out service offerings (in terms of agents) between 2017 and 2014 showing a push towards wallet transactions. **The BVS regulations by SBP accelerated the shift from over-the-counter (OTC) transactions to BVS based wallet transactions**⁹⁵.

⁸⁹ "1Link - 1Link Direct." <https://1link.net.pk/1link-direct/17-banks-commit-to-biometric-interoperability-through-1link-1id/>

⁹⁰ "SBP introduces Mobile Banking Interoperability Regulations - Dawn." <http://www.dawn.com/news/1258735>

⁹¹ National Financial Inclusion Strategy - State Bank of Pakistan <http://www.sbp.org.pk/ACMFD/National-Financial-Inclusion-Strategy-Pakistan.pdf>

⁹² Financial Inclusion in Pakistan - World Bank Group <http://www.worldbank.org/en/news/infographic/2016/02/08/financial-inclusion-in-pakistan>

⁹³ "The global Findex Database 2017 - World Bank Group." Published 19 Apr. 2018, <http://documents.worldbank.org/curated/en/332881525873182837/pdf/126033-PUB-PUBLIC-pubdate-4-19-2018.pdf>

⁹⁴ Agent Network Accelerator Report 2017, Karandaaz - Helix Institute, page 17. <http://www.helix-institute.com/sites/default/files/Publications/Pakistan%20Report.pdf>

⁹⁵ "Analysing the impact of BVS regulations on OTC Money Transfer in" 28 Jul. 2017, <https://karandaaz.com.pk/blog/analysing-impact-bvs-regulations-otc-money-transfer-pakistan/>

3.4.2 Financial Inclusion and BISP

BISP target beneficiaries who often don't have a steady source of income and other documentation required for high level accounts can open basic (Level 0) accounts easily. However, for BISP related transaction they are forced to use Limited Mandate Accounts (LMA-2) in which only BISP can add money and beneficiary can only withdraw money, no other operation is possible. It is important to note that assigning Limited Mandate Accounts to beneficiaries is a BISP internal policy directive (stemming from security and audit concerns), and not the State Bank of Pakistan.

State Bank of Pakistan has created exceptions to accommodate BISP beneficiaries such as:

- Low KYC requirements: Based on the lists of beneficiary CNICs provided by BISP to partner banks, accounts were opened for beneficiaries prior to Biometric Verification regime was introduced. Physical verification was conducted at a later stage, upon disbursement of the first tranche, post account opening exercise.
- Transaction fee waivers: All banks were directed to absorb transaction fees connection to ATM based transactions specifically for BISP beneficiaries, regardless of their being partner banks of BISP or not for payments. Furthermore, agent fees were also paid by the partner financial institution so that the beneficiaries receive their exact grant amount without any deductions.

This is discussed in detail in the 'Direct' section.

3.4.3 Choice and accessibility

BISP beneficiaries don't have a choice of payment service provider as they are locked by region, with only one partner bank operating in each region. They are also restricted to the channel offered by the payment provider. The New Payment Model (see Annex I) will address this by mandating providers to enable at least 3 payment channels for beneficiaries.

DFS providers—both banks and nonbanks—are permitted to use third-party agents such as retail shops to provide customers access to their services. Pakistan allows use of branchless banking agents (typically retail shop owners) under the branchless banking regulatory framework. Agents are allowed to serve multiple financial institutions and to open lower level accounts for customers apart from OTC transactions.⁹⁶ DFS providers are responsible for training, monitoring and liquidity management for agents through Agent Network Manager and meeting minimum prudential thresholds to contract branchless banking agents.

Pakistan Post has also partnered with Karandaaz Pakistan to digitize its money order service, which will allow consumers to digitally make P2P and P2G payments, and digitally receive G2P payments.

The framework defines three levels of accounts: Level 0 and Level 1 for individuals only and Level 2 accounts for individuals as well for joint accounts, firms, entities, trusts, not-for-profit organizations, legal person, merchants, businesses, banking agents, technology service providers, and corporations etc.

Level 0 accounts are particularly designed for reduced KYC requirements (eKYC) using government provided identity (National ID Card - CNIC) and biometric verifications. These reduced KYC requirements also lower the operational and due-diligence costs for financial institutions thus lowering the

⁹⁶ "Basic Regulatory Enablers for Digital Financial Services - CGAP." 9 May. 2018, Page 17
<https://www.cgap.org/sites/default/files/researches/documents/Focus-Note-Basic-Regulatory-Enablers-for-DFS-May-2018.pdf>

barriers further for financial inclusion. The table below provides a summary of account categories allowed under the revised branchless banking regulations:

Table 6: Bank Account Categories⁹⁷

Account Level	Level 0	Level 1	Level 2
Description	Basic BB account with low KYC requirements	Entry level account with adequate KYC requirements	Full account level with full KYC requirements
KYC/Account opening requirements	<ol style="list-style-type: none"> Capturing of an image of customer's original CNIC. Capturing of Digital photo of the customer. Opening of account and acceptance of terms and conditions by the customers through physical or digital means. Transfer of customer's data to FI. Verification of customer's particulars from NADRA. Allowing one deposit and one withdrawal transaction during account opening 	<ol style="list-style-type: none"> Capturing of an image of customer's original CNIC. Confirmation of customer's cell phone number. Physical/Digital Account Opening Form. Acceptance of terms and conditions by the customers through physical or digital means. Transfer of customer's record to FI. Verification of customer's particulars from NADRA. Allowing three deposits and one withdrawal transaction during account opening. <p>Note: In case of accounts opened through Biometric Verification System (BVS), conditions mentioned at Serial Nos. 1, 5, 6 and 7 shall not apply.</p>	<ol style="list-style-type: none"> The account shall be opened in a bank branch. Filling and signing an Account Opening Form. Fulfillment of all KYC requirements specified under AML/CFT Regulations and Guidelines issued by SBP as amended from time to time and bank's own policy. Customer profiling for identification and monitoring of associated risks. The bank shall carry out due diligence or enhanced due diligence keeping in view the risk profile of the customers as per bank's policy. However, the bank shall invariably carry out enhanced due diligence for BB Agents.
Transaction Limits	Rs. 25,000 per day Rs. 40,000 per month Rs.200,000 per year	Rs. 50,000 per day Rs. 80,000 per month Rs.800,000 per year	As defined by the FI keeping in view FI's own capacity to monitor activities in such accounts.
Maximum Balance Limits	Rs. 200,000	Rs. 400,000	Not specified

Simplified Biometric Based Account Opening (Unique ID)

The SBP regulations further allow remote account opening, to promote Financial Inclusion in line with the NFIS, for Level 0 customers. This provision changes the game by significantly lowering the barriers for account opening, particularly for the mobile network operators who can leverage the 'biometrically verified' sim of the consumer for account opening.

Pakistan became the first country in 2015 to use biometric SIM verification for remote account opening, according to CGAP⁹⁸, and the results have been impressive: **approximately 50% of new registered mobile**

⁹⁷ "Branchless Banking Regulations - State Bank of Pakistan." <http://www.sbp.org.pk/bprd/2016/C9-Annx-A.pdf>

wallet accounts in 2015 were opened via biometric verification in 2015, a year when the number of these accounts tripled – from 5 million to 15 million. This change was a by-product of a regulatory measure by Pakistan Telecommunication Authority in 2014 to mandate all SIMs to be registered against National ID Cards owing to severe security challenges forcing Telecom operators to conduct a huge exercise to register 160 Million SIMs against National ID cards.

“The process is simple and immediate: Customers with biometrically verified SIMs enter a USSD code designated by their providers, to set up an account in less than 30 seconds. The process requires no paperwork and no trip to an agent, let alone a branch.”⁹⁹

3.4.4 Security

Regulatory Landscape

SBP’s “**Regulations for the security of Internet Banking**”¹⁰⁰ 2015 specify rules and regulations governing internet banking services in Pakistan. These regulations require banks to ensure necessary controls, risk-mitigation safeguards, internal protocols, and assessments are in place to protect the consumers. **It further mandates features like customer registration, 2-factor authentications, additional layers of security for high-value transactions, login-failure cases, session time-outs etc.**

The document also specifies ‘Customer Awareness’ requirements for banks to update users about risks and threats of internet banking, help-desk and recovery options, complaint management procedures etc.

Electronic Fraud, Spoofing and Spamming are punishable offenses under the **Prevention of Electronic Crimes Act (2016)**¹⁰¹.

The Draft **Personal Data Protection Bill 2018**, promotes the use of best practices among service providers to ensure the security and privacy of personal and sensitive data stored about their consumers, which is the first step towards considering GDPR level data protection modeling.. Furthermore, it also promotes transparency between the two parties. It mandates service providers to gain formal consent from their consumers for storing personal and sensitive data about them. They also have to inform their consumers about how the data is being stored and used. Furthermore, service providers are obliged to give a consumer the personal data that he or she asks for if a formal request is made¹⁰².

BISP Security

There has been no reported incidents of data breaches at BISP till now. Any sharing with partner organizations takes place in accordance with data sharing protocols. National Socio-Economic Registry (NSER) data is also governed by BISP’s data sharing protocols under which the sensitive fields of the registry are not shared with external researchers or organizations.

⁹⁸ Unlocking Financial Inclusion Using Biometrically Verified SIMs, Naeha R., Stefan S., July 2016, <http://www.cgap.org/blog/unlocking-financial-inclusion-using-biometrically-verified-sims>

⁹⁹ Ibid

¹⁰⁰ Regulations for the security of Internet Banking - State Bank of Pakistan, 2015 <http://www.sbp.org.pk/psd/2015/C3-Annexure-A.pdf>

¹⁰¹ PECA 2016, http://www.na.gov.pk/uploads/documents/1470910659_707.pdf

¹⁰² "PERSONAL DATA PROTECTION BILL 2018 INDEX Chapter 1" <http://www.moitt.gov.pk/userfiles1/file/PERSONAL-DATA-PROTECTION-BILL-July-18-Draft.pdf>

3.4.5 Consumer Protection

Regulatory Landscape

Broad contours of regulation around consumer protection are covered in the above section 'Financial Inclusion Regulatory Enablers Overview'.

SBP is the main institution responsible for taking action for consumer protection and public good in financial sector. SBP's revised Branchless Banking regulations in 2016 also include better regulation for Customer Protection, Customer Awareness and Complaint Redressal. It explicitly states that:

"FIs (Financial Institutions) should devise clear guidelines for customers regarding complaints and dispute resolutions and should make efforts to make these public. FIs must publish their schedule of charges for BB (Branchless Banking) activities and services on quarterly basis for each calendar quarter and make it available at all its branches / agent locations /website. The charges cannot be increased during a quarter. All agreements/ contracts with the customer shall clearly specify that the bank is responsible to the customer for acts of omission and commission of the Agent."¹⁰³

It mandates setting up complaint resolution, tracking and monitoring systems in place. The document also provides a template for Customer Awareness defining roles and responsibilities of customers. Furthermore, to enforce regulatory compliance, SBP has developed and launched a program titled '**Capacity Building of Banking Agents**' to train agents on standard training curriculum.¹⁰⁴ This is a welcome step, as **ANA report by Helix Institute (2017)**¹⁰⁵ reported that only 5% of agents could recall material on security and fraud from their training by the mobile money providers while 9% could recall ID verification topics.

Competition Commission of Pakistan (CCP), a partial regularity authority and partial judicial authority, has the mandate to protect consumers from anti-competitive practices and deceptive marketing. There are two federal ombudsman who resolve disputes between consumers and financial institutions (one for banking and one for insurance).

A study on consumer protection¹⁰⁶ **by World Bank Group (WBG)** concluded that 'institutional framework for financial consumer protection is fragmented in Pakistan with gaps that leave out non-deposit taking microfinance institutions unregulated, leaving many clients vulnerable'. Report further states that 'the legal framework does not provide clear consumer protection rules over financial products and services'. Consumer protection is regarded as a provincial matter and most provinces have enacted consumer protection laws that cover goods and services but they are not fully operational except in Punjab where consumer protection councils and courts under the consumer protection act.

Consumer Disclosure is another area which requires improvements as the quality of information provided to consumers appears to vary across the industry. Although SBP and SECP have issued directives to financial institutions to enhance transparency and disclosure of terms and conditions, yet, there are no specified standard formats, the methodology of calculations of costs or Key-Fact Statement formats.

¹⁰³ Branchless Banking Regulations - State Bank of Pakistan, Revised 2016, <http://www.sbp.org.pk/bprd/2016/C9-Annx-A.pdf>. Page 13

¹⁰⁴ PTA Annual Report 2017, Interoperability solutions for Mobile Financial Services, page 24. https://www.pta.gov.pk/assets/media/ann_rep_2017.pdf

¹⁰⁵ Agent Network Accelerator Report 2017, Karandaaz - Helix Institute, page 26. <http://www.helix-institute.com/sites/default/files/Publications/Pakistan%20Report.pdf>

¹⁰⁶ Diagnostic review of consumer protection and financial literacy, Islamic Republic of Pakistan, Vol I, Key findings and recommendations. March 2014. <http://responsiblefinance.worldbank.org/~media/GIAWB/FL/Documents/Diagnostic-Reviews/Pakistan-CPFL-Diagnostic-review-Vol1.pdf>

Fraud Incidence

A report **Helix Institute (Agent Network Accelerator)** provides some important numbers on fraud on the consumer side. It reports that Pakistani (branchless banking/mobile money) agents report that **impersonation** is the major fraud category (42%) and **fake SMS** (21%) out of the total fraud incidents¹⁰⁷. WBG states that micro-Finance Institutions (MFIs) also use branchless banking network of banks and MFBs, but may not have adequate compliance of consumer protection and privacy regulations.

PTA Annual report 2017 states that PTA recognizes the role of mobile banking agents (branchless banking), approximately 100,000 unique agents, in expanding mobile banking services among the unbanked population, however, due to weak regulatory compliance at agent locations there have been reports of fraudulent activity. SBP has made the Biometric Verification System (BVS) a mandatory requirement for financial institutions to verify the identity of customers through fingerprint matching with NADRA database, at the time of branchless bank account opening or conducting Over-The-Counter (OTC) branchless banking transactions after 30th June 2017. Agent Network Accelerator (ANA) report by Helix Institute (2017)¹⁰⁸ credits this step as one of the reasons that agent reported fraud and crime in Pakistan remains low as compared to other DFS markets (lowest amongst Uganda, Tanzania, Kenya, Bangladesh, Senegal, Pakistan). In a way, BVS regulations have improved the product suitability for branchless banking (DFS sector).

BISP Consumer Protection

We will further explore this in detail in Digitize section, however, a few important observations are made here:

- BISP beneficiaries receive government grants through a branchless bank agent after verification through a BVS which has some safeguards built into the system because of the biometric verification. However, due to the illiteracy of the BISP beneficiary she can be subjected to fraud such as payment of a lower amount, deduction of a transaction fee and the purchase of a forced SIM. still
- Documented evidence shows that due to poor financial and functional literacy, BISP beneficiaries have faced many challenges of fraud and financial leakages in ATM based disbursements. BVS system has reduced the leakages due to others collecting the payment on behalf of the beneficiary and not paying her the full amount. , However, more needs to be done in terms of consumer awareness, recourse and grievance redressal process¹⁰⁹.
- BISP has also been targeted by SMS campaigns by organized fraudsters. Fraudulent SMS are sent to susceptible consumers informing them of their enrollment in BISP with the intent to stealing their personal data or get 'advance deposit fees'. Evidentiary data pertaining to the scale of such schemes is currently not available However, it is expected that Prevention of Cyber Crimes Act 2016 shall help curb such schemes.

¹⁰⁷ Agent Network Accelerator Report 2017, Karandaaz - Helix Institute. <http://www.helix-institute.com/sites/default/files/Publications/Pakistan%20Report.pdf>

¹⁰⁸ Agent Network Accelerator Report 2017, Karandaaz - Helix Institute, page 38. <http://www.helix-institute.com/sites/default/files/Publications/Pakistan%20Report.pdf>

¹⁰⁹ HCD Study, Biometric Based Cash Withdrawals, Karandaaz

3.5 KEY INFRASTRUCTURE

3.5.1 ID systems in place

One of the strengths of BISP is the requirement that all Pakistani citizens must be registered with the National Database and Registration Authority (NADRA). This agency has worked closely with BISP for the registration of all beneficiaries of the program¹¹⁰.

NADRA issues an identity card for all citizens of Pakistan with a unique 13 digit ID number called the Computerized National Identity Card (CNIC)¹¹¹. As of 2012, 96% adults were reported to be registered with NADRA and possess a CNIC¹¹². **G20 Digital Identity Onboarding report puts the coverage at 99% in 2018**¹¹³.

NADRA-issued CNIC meets the **three key elements defined by G20 Digital Identity Onboarding report** as it has sound legal basis, ID numbers are unique and exist in digital format with adequate privacy and security safeguards.

CNICs have multiple authentication and protection features built in, including photo, fingerprints, machine-readability etc.. The latest version of the CNICs is a Smart Card with an embedded chip which can be used to verify the fingerprints of the owner through electronic machines without the need for internet. NADRA stores the fingerprints database for all citizens, and has provided Application Programming Interfaces (APIs) to financial institutions, mobile phone and SIM registration, immigration services and issuance of passports and other service providers for electronic verification of fingerprints against NADRA database of the CNIC holder at a Rs 15-45 per transaction cost (subsidized for government services).

Biometric Verification System:

NADRA's digital ID cards have enabled biometric verification system (BVS), allowing for easy and foolproof identification. All banks are linked to NADRA through APIs to conduct BVS verifications of customers against the national database. This system is used by BISP for its rapidly expanding BVS payment method that uses beneficiaries thumbprint to authenticate cash transactions. Some beneficiaries have been negatively affected by BVS as their fingerprints have deteriorated due to age, hard labor etc. and their biometric verification fails, **leaving them unable to cash-out their grant**¹¹⁴.

The BISP BVS system is expected to completely phase out the BDC debit card payments to beneficiaries by March 2019¹¹⁵.

The linking has greatly helped different stakeholders working with NADRA to scale their services as it allows for secure verification by a third party¹¹⁶. In 2014, PTA enforced the regulation to link all telecommunication SIMs to unique CNIC of owner due to security reasons. This paved the way for State Bank of Pakistan to allow

¹¹⁰ "G20 Digital Identity Onboarding - GPFI."

https://www.gpfi.org/sites/default/files/documents/G20_Digital_Identity_Onboarding_WBG_OECD.pdf

¹¹¹ Ibid

¹¹² "96 percent adult population of Pakistan registered: Nadra - The News" 18 Aug. 2012,

<https://www.thenews.com.pk/archive/print/380408-96-percent-adult-population-of-pakistan-registered-nadra>

¹¹³ "G20 Digital Identity Onboarding - GPFI.", page 60.

https://www.gpfi.org/sites/default/files/documents/G20_Digital_Identity_Onboarding_WBG_OECD.pdf

¹¹⁴ HCD Study, Biometric Based Cash Withdrawals, Karandaaz

¹¹⁵ Meeting with BISP Payments team, November 2018

¹¹⁶ "Biometric Verification Services – NADRA Pakistan." <https://www.nadra.gov.pk/local-projects/identity-management/biometric-verification-services-2/>

a simplified KYC process allowing mobile money operators to remotely open wallet accounts for consumers with biometrically verified SIMs.

Possession of a CNIC is a prerequisite for registration and enrollment in BISP. **Female CNIC card holders significantly increased from 2011 to 2013, which according to a World Bank report, is due to BISP cash transfers**¹¹⁷.

BVS has made G2P payments, particularly BISP, more robust since biometric verification requires a lesser level of financial literacy than using ATM cards. Biometric verification also mandates the presence of the beneficiary himself/herself which reduced the possibility of fraud.

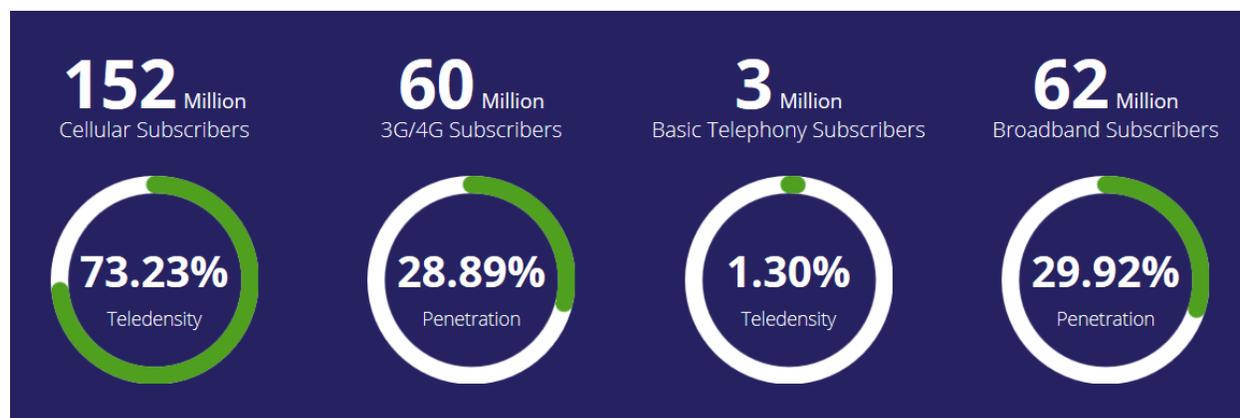
3.5.2 Adequate Mobile Phone Penetration

For both mobile ownership and mobile internet use, the gender gap tends to be wider in rural areas than urban areas. Even where the gender gap in urban mobile ownership is minimal, the percentage of rural women who own mobiles is still generally far lower than men. **Poverty in Pakistan is concentrated in rural areas**¹¹⁸, but since BISP is a nationwide program serving eligible beneficiaries in all districts, countrywide facts and figures of mobile penetration as well as those classified by rural and urban areas are important.

Mobile Phone Ownership and Access in Pakistan

According to Pakistan Telecommunication Authority (PTA), the government regulator for telecom that also works closely with State Bank for branchless banking framework, there are 152 Million cellular subscribers in the country¹¹⁹. Out of the total 62 Million broadband subscribers, 59 Million (28.73% penetration) are mobile broadband subscribers.

Figure 10: Telecom Stats¹²⁰



Mobile phone ownership stands at 60% of the total population according to country profile by Intermedia's FII portal¹²¹. **However, only 44% of women in the country own mobile phones compared to 80% of men**¹²².

¹¹⁷ "Ambler, Kate; De Brauw, Alan. 2017. The Impacts of Cash Transfers on Women's Empowerment : Learning from Pakistan's BISP Program. Social Protection and Labor Discussion Paper;No. 1702. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/26272> License: CC BY 3.0 IGO."

¹¹⁸ "Poverty Profile - Benazir Income Support Programme." <http://bisp.gov.pk/wp-content/uploads/2017/02/Poverty-Profile-1.pdf>

¹¹⁹ Ibid

¹²⁰ "Telecom Indicators | PTA." <https://www.pta.gov.pk/en/telecom-indicators>

The gender gap in overall mobile ownership in urban area is 59% and that in rural area is 56%. The difference lies in the type of mobile phone owned, with **urban residents twice as likely to own a smartphone than rural residents** who mostly either have basic or feature phone¹²³. Mobile internet usage in is comparatively low, with **only 10% of women using mobile internet compared to 26% men**. In urban areas, the gap for women using mobile internet is at 56% and in rural areas it is at 69%¹²⁴.

It is important to note that not owning a mobile phone does not always translate to having no access to a phone. A study noted that in 2015, 76% Pakistanis had access to a mobile phone through their social circle like friends and family, which is an additional 18% of the population over mobile phone owners¹²⁵. A large proportion of this 18% were women, indicating that they are much more likely to borrow mobile phones for use than men.

Barriers for Women Phone Ownership

Research by GSMA¹²⁶ finds the following five as the top barriers to mobile phone ownership in Pakistan for women.

Table 7: Barriers to Mobile Phone Ownership Among Women

Reason	% of women without mobile phones who cited the reason as barrier
Reading/writing difficulties	38%
Family does not approve	29%
Handset & SIM cost	27%
Credit Cost (mobile phone Top-Up cost)	26%
Do not know how to use a mobile	26%

The same research also identifies the following 8 as the top barriers for mobile internet usage in Pakistan for women.

¹²¹Intermedia, Financial Inclusion Portal <http://finclusion.org/country/asia/pakistan.html#dataAtAGlance>

¹²² "The Mobile Gender Gap Report 2018 - GSMA." <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/04/GSMA-The-Mobile-Gender-Gap-Report-2018-32pp-WEBv7.pdf>

¹²³ "AfterAccess: ICT access and use in Asia and the Global ... - LIRNEasia." <https://lirneasia.net/wp-content/uploads/2018/11/AfterAccess-Asia-Report-2.0.pdf>

¹²⁴ "The Mobile Gender Gap Report 2018 - GSMA." <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/04/GSMA-The-Mobile-Gender-Gap-Report-2018-32pp-WEBv7.pdf>

¹²⁵ "Gallup Pakistan History Project's Weekend Read 42: Mobile Phone" <http://gallup.com.pk/wp-content/uploads/2016/07/Weekend-Read-42-Mobile-Phone-Usage-and-Access-in-Pakistan-by-Abdullah-Waqar-Tajwar2.pdf>

¹²⁶ "The Mobile Gender Gap Report 2018 - GSMA." <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/04/GSMA-The-Mobile-Gender-Gap-Report-2018-32pp-WEBv7.pdf>

Table 8: Barriers to Mobile Internet Usage Among Women

Reason	% of women with mobile phones not using mobile internet who cited the reason as barrier
Internet in not relevant for me	44%
Strangers contacting me	37%
No access to internet-enabled phone	36%
Information security	34%
Harmful content	32%
Data cost	31%
Insufficient content in local language	31%
Reading/writing difficulties	31%

Mobile Networks Penetration

Please refer to Core 2 (Network Reliability)

Key Indicators for the adoption of Digital Financial Services

The Financial Inclusion Insights¹²⁷ find that more than 75% population in Pakistan meets 4 out of the 7 key indicators - ID, phone access, basic numeracy, and mobile money awareness. However, the Human-Centered-Design (HCD) study on BVS based cash-withdrawal for BISP, sponsored by Karandaaz¹²⁸, shows that BISP beneficiaries struggle with basic numeracy. Financial literacy remains the biggest challenge. In 2017, just 14% of adults qualified as financially literate.¹²⁹ This is a significant barrier in financial inclusion as it results in exploitation of users who are not financially aware and could lead to their accounts being misused. Such experiences would push them away from adopting formal financial services.

The key indicators for the adoption of Digital Financial Services by FII¹³⁰ are summarized below.

¹²⁷ "FII Pakistan Quicksites Report 2017 (Wave 5), June 2018", page 12 http://finclusion.org/uploads/file/pakistan-wave-5-report_final.pdf.

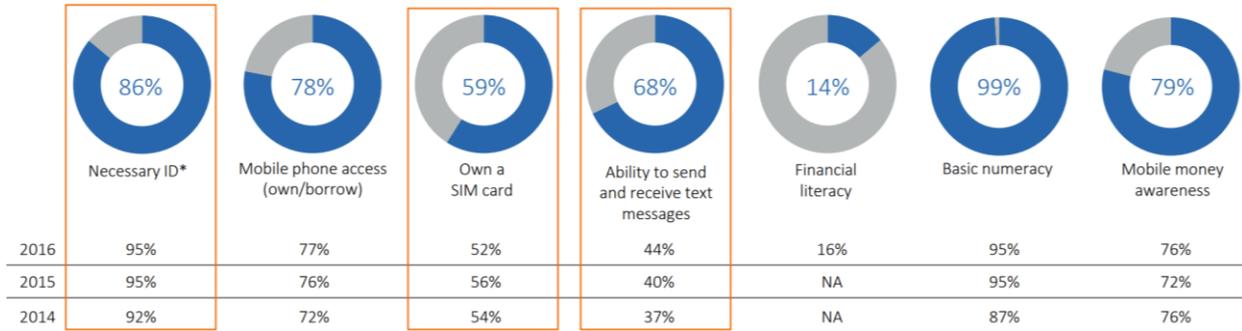
¹²⁸ HCD Study, Biometric Based Cash Withdrawals, Karandaaz

¹²⁹ "FII Pakistan 2017 Wave 5 Report - Financial Inclusion Insights." http://finclusion.org/uploads/file/pakistan-wave-5-report_final.pdf.

¹³⁰ "FII Pakistan Quicksites Report 2017 (Wave 5), June 2018", http://finclusion.org/uploads/file/pakistan-wave-5-report_final.pdf.

Figure 11: Indicators for DFS in Pakistan

2017: Key indicators of readiness to adopt digital financial services
(Shown: Percentage of Pakistan adults, N=6,000)



4. Digitize Criteria

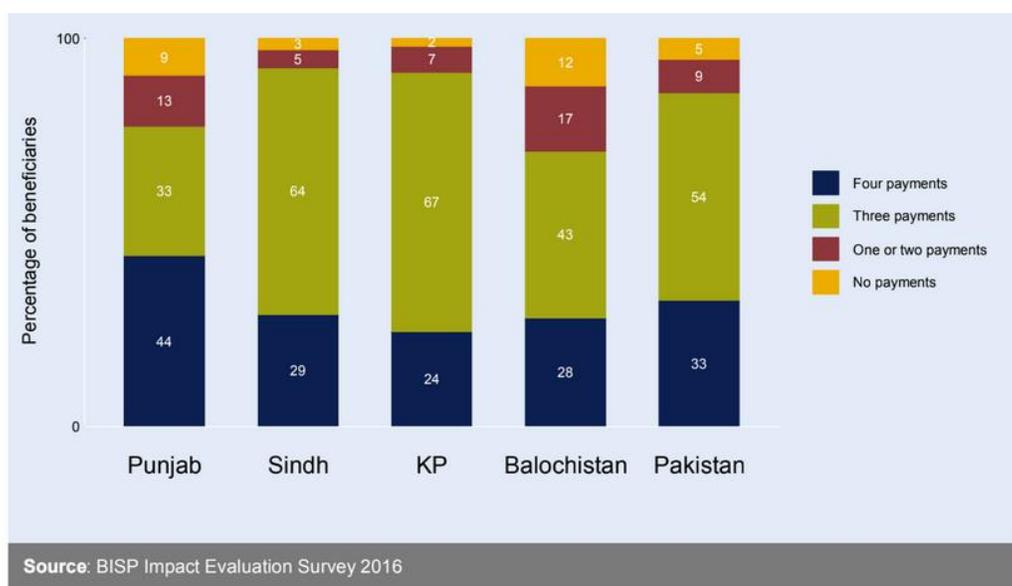
BISP is now a decade old social safety net program. All of its processes have been evolved over time especially the mode of payments (see Annex I for details).

4.1 RELIABLE

The reliability of BISP in terms of timing, frequency and amount is quite satisfactory. The Impact Evaluation Report 2016 by OPM¹³¹ found that overall **96% of beneficiaries were very satisfied or somewhat satisfied** with their experience in how they collected the cash transfer. **87% of beneficiaries received all payments** (3 in this case) in the year, using information reported directly by the beneficiaries. This finding is consistent with those presented earlier evaluations and demonstrates that BISP continues to make consistent payments to the vast majority of its beneficiaries. Payments are only delayed on rare occasions such as when agreements with banking partners are expiring and need to be renewed, or when the government is transitioning.

There is, however, regional variation. **Only 71% of beneficiaries in Balochistan had received at least three payments in the last 12 months.** Beneficiaries in Balochistan were also the most likely to have reported not receiving a single payment in the last 12 months. 12% of Balochi beneficiaries reported this to be the case, compared to a sample average of 5%. This finding may be related to the lower reach of payment facilities in the province and the greater distance of beneficiaries to those facilities.

Figure 12: Number of Transfers Received



¹³¹ "OPM Report Template version 5 - Benazir Income Support Programme." 1 Jun. 2016, http://bisp.gov.pk/wp-content/uploads/2017/02/BISP_FinalImpactEvaluationReport_FINAL-5.pdf.

In case of increase in grant amount, beneficiaries are informed through posters and standees at all POS locations¹³². This is the only form of communication with them in regards to changes in payment terms and amount. The HCD study of 2017¹³³ finds that a large number of beneficiaries were unsure about the exact amount they were entitled to and quoted an estimated figure. They relied on word-of-mouth as the main source of information, mostly from people in their neighborhood and retailers.

According to BISP's Payments team, their district office staff physically visits and checks all designated POS before disbursement of each tranche to ensure functioning of systems, BISP's. In case of issues, the relevant payment partner is asked to provide an alternate. This alternate can either be another existing POS, or they set up temporary camps with POS in those areas. Banks are responsible for bearing the cost of these alternates and temporary camps.

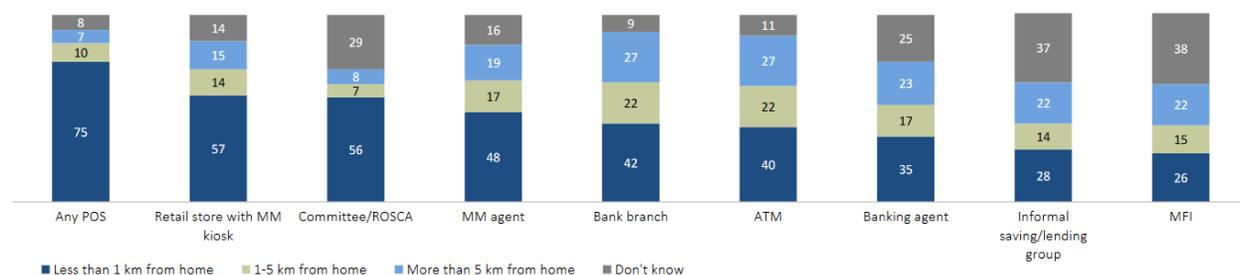
In addition, BISP requires grant disbursement to beneficiaries within 5 days of payment to banks. They are in the process of further reducing this float for banks to 2 days.¹³⁴

4.2 ACCESSIBLE

4.2.1 Proximity

According to research by FII¹³⁵ conducted at the end of 2017, proximity to a financial service access point is not a significant barrier overall in Pakistan. Three in four adults know of point of service (POS) within one kilometer of their home, and **85% know of a POS within five kilometers**. The POS most frequently mentioned within one kilometer of an individual's home was a retail store or kiosk with mobile money services. However, regional analysis indicated that Balochistan significantly lags behind other regions in terms of access.

Figure 13: Proximity to (POS) for Financial Institutions¹³⁶



However, despite the success on aggregate some communities in more remote regions were not well served by ATM infrastructure¹³⁷. The districts and tehsils in Balochistan are located at large distances from each other due to low population density. As the institutional arrangement is very weak or almost absent at tehsil

¹³² Meeting with BISP's Media, Communications & Outreach Department, November 2018

¹³³ HCD Study, Biometric Based Cash Withdrawals, Karandaaz

¹³⁴ Meeting with BISP Payments team, November 2018

¹³⁵ "FII Pakistan W5 QuickSight - Financial Inclusion Insights." http://finclusion.org/uploads/file/pakistan-wave-5-quicksites_final.pdf

¹³⁶ Ibid

¹³⁷ "Benazir Income Support Programme: Final impact evaluation report." <https://www.opml.co.uk/files/Publications/7328-evaluating-pakistans-flagship-social-protection-programme-bisp/bisp-final-impact-evaluation-report.pdf>

level, arrangements of cash withdrawal are also very feeble. For example beneficiaries in Ziarat, Balochistan, noted that there were no functioning ATMs close to their communities. As such they were forced to travel to the capital of Balochistan, Quetta. This travel was extremely costly in relation to the size of the quarterly transfer. There are several districts where there are no payment points like Awaran, Kalat, Khuzdar, Kharan, Mastung, Barkhan, and the Kalash Valleys¹³⁸. People have no option other than to travel to the nearest district where the ATM or POS machine is available to withdraw money. In such cases, for their own ease, they handover their BDCs to another person who withdraws money for several beneficiaries against a fee per woman. While this step is convenient, it is an added expense for beneficiaries. With BDCs expected to be phased out by mid 2019, it is imperative that adequate BVS cashout points in these districts be provided.

Additionally, an average 18% of beneficiaries could not withdraw cash on their first attempt. This issue is most severe in Punjab, where 24% of beneficiaries needed to make multiple trips, whilst just 9% of beneficiaries in Balochistan reported making multiple trips. Two main reasons surface for this. 47% beneficiaries reported long queues and 30% reported lack of funds at the collection point as to why they had to make multiple trips.

BISP requires banking partners to share GPS coordinates of all their POS designated for tranches. However, these coordinates are often incorrect as bank staff key in random numbers just to validate the field in the record when they don't have the information.

Although there are restrictions on women's mobility, OPM finds that there are no objections to them visiting a POS location to receive their grant amount. The program has had a positive effect on the ability of women to travel alone to various locales in the community¹³⁹.

Since BVS will be rolled out to 99% beneficiaries by March 2019, a distribution of total agents is given in the table below. It is to be noted, however, that the proportion of agents engaged for BISP disbursement may not necessarily be the same.

¹³⁸ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents & Reports." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>.

¹³⁹ "OPM Report Template version 5 - Benazir Income Support Programme." 1 Jun. 2016, http://bisp.gov.pk/wp-content/uploads/2017/02/BISP_FinalImpactEvaluationReport_FINAL-5.pdf

Table 9: Distribution of Mobile Money Agents 2018¹⁴⁰

Region	Number	% Share
Punjab	254,063	62.6%
Sindh	88,172	21.7%
KP	44,689	11%
Balochistan	11,697	3%
AJK	5,643	1.4%
GB	1,307	0.3%
Total	405,571	100%

Data on distribution and density of POSs to better assess their proximity to beneficiaries has been requested from the Payments team at BISP, and is yet to be provided.

4.2.2 Convenience & Affordability

In contracts with banking partners, it is mentioned that a single POS should not serve more than 1000 beneficiaries during a tranche, so wait times are not too long. Contracts also state that the condition of their POS locations have to be 'dignified'¹⁴¹. They should have seating arrangements and water for the beneficiaries so women feel comfortable. However, since there are no penalties in place for this, it's not always ensured. Additionally, as the tranches are once every three months, POS agents don't want to invest in improving their site's conditions for just a few days.

¹⁴⁰ "Branchless Banking Newsletter Apr-Jun 2018 - State Bank of Pakistan." 30 Jun. 2018, <http://www.sbp.org.pk/publications/acd/2018/BranchlessBanking-Apr-Jun-2018.pdf>.

¹⁴¹ Meeting with BISP Payments team, November 2018

Table 10: Convenience & Affordability of Collecting Payments¹⁴²

	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Pakistan
Time taken to travel to collection point per trip (minutes)	32	34	31	45	33
Cost of travel to collection point per trip, including multiple trips (PKR)	79	120	74	147	96
Proportion of beneficiaries who could not withdraw cash on their first attempt	24	17	15	9	18
Proportion of beneficiaries reporting paying a “fee” to receive the transfer	7	33	13	15	18
Average “fee” paid by those who reported paying a fee (PKR)	153	219	122	204	192
Source: BISP Impact Evaluation Survey (2016)					

The evaluation survey by OPM in 2016 found that there are sufficient collection points to serve needs, with the average time taken to travel to a payment point being 33 minutes. There is not much variation across provinces, although beneficiaries in Balochistan had slightly further to travel, taking on average 45 minutes to reach a collection point¹⁴³. It is to be noted that the survey was carried out before BVS was rolled out and thus does not comment on sufficiency of BVS payment points.

The direct transport costs of collecting the transfer also seemed relatively low, with beneficiaries spending on average PKR 96 or 2% of the quarterly value of the transfer on transport to collect the transfer (as of 2016). This cost was highest in Balochistan, reflecting the longer travel distances required to reach a collection point¹⁴⁴. However, despite the success on aggregate some communities in more remote regions were not well served by ATM infrastructure. For example beneficiaries in Ziarat, Balochistan, noted that there were no functioning ATMs close to their communities. As such they were forced to travel to the capital of Balochistan, Quetta. This travel was extremely costly in relation to the size of the quarterly transfer.

4.3 FLEXIBLE

4.3.1 Control

The timing of BISP disbursements is fixed. It is not adaptable to cash flows in households. There are 4 payments made to all beneficiaries per year, one in each quarter. The BISP payment comes through a bank or mobile money account. The accounts are limited mandate, so even though beneficiaries can withdraw cash

¹⁴² "Benazir Income Support Programme: Final impact evaluation report." <https://www.opml.co.uk/files/Publications/7328-evaluating-pakistans-flagship-social-protection-programme-bisp/bisp-final-impact-evaluation-report.pdf>

¹⁴³ Ibid

¹⁴⁴ Ibid

within a certain timeframe, no other form of transaction can take place through the account. Only BISP can deposit in the account, and beneficiaries withdraw. They must, however, withdraw at least once in 180 days (2 tranche cycles) or else their grants would be sent back to the LMA 1 account. This is by design so that the funds not used are credited back into the BISP account. .

CIF¹⁴⁵ reports significant confusion amongst the beneficiaries on whether they could leave money in the account, and for how long. Some mentioned they withdrew all their money because they fear the remaining amount will be confiscated or lost. There were also perceptions that the program might end at any time and they will not get the remaining amount if they leave it. They also thought that the amount is 'reversed' if it is not withdrawn in full. In other cases, beneficiaries had left Rs.500 in their account because the ATM was not issuing Rs.500 notes, and were able to withdraw it later. Some even intentionally left money in the account because they believed their accounts will close if they don't leave some money in it. However, most participants withdrew all their money simply because they had the need to use all of it and there was no room for saving.

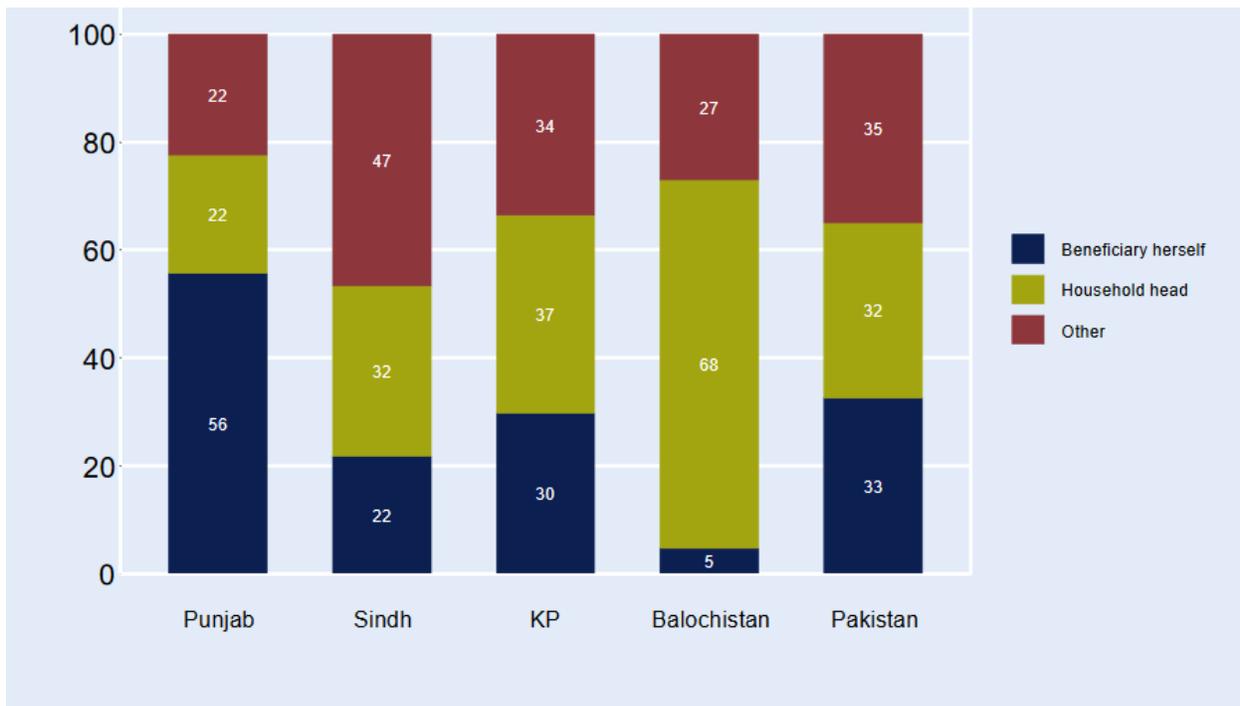
4.3.2 Privacy

The degree of privacy that the beneficiaries are allowed has been changing over time depending upon the payment instrument. While theoretically, the ATM allowed the greatest scope for privacy as the beneficiary could insert her card and withdraw the funds, in practise the degree of privacy is compromised due to her lack of literacy, numeracy and unfamiliarity with the the use of ATMs. In all other mechanisms of payment, there is a human interface with the attendant problems of lack of privacy. Evidence from the field shows that collection of the payment is generally undertaken either jointly or delegated to someone from the household or neighbourhood. Only a third of the beneficiaries reporting that they normally collect the transfer personally. Women clearly preferred convenience over privacy as qualitative research¹⁴⁶ indicated that a majority of women preferring ATMs because anyone could collect the money.. However, there was some regional variation. In Balochistan in particular just 5% of women reported that they had collected the last transfer themselves. This finding is likely related to the less comprehensive coverage of ATMs and PoS devices in the province.

¹⁴⁵ "Government to Person Transfers - Center for Financial Inclusion." <https://content.centerforfinancialinclusion.org/wp-content/uploads/sites/2/2018/10/Government-to-Person-Transfers.pdf>

¹⁴⁶ "Benazir Income Support Programme: Final impact evaluation report." <https://www.opml.co.uk/files/Publications/7328-evaluating-pakistans-flagship-social-protection-programme-bisp/bisp-final-impact-evaluation-report.pdf>

Figure 14: Who Usually Collects The Transfer?¹⁴⁷



Source: BISP Impact Evaluation Survey 2016

With the new BVS system, which will replace the BDC by March of 2019, **only the beneficiary can withdraw the cash¹⁴⁸ so it remains private in the sense that only they can conduct the transaction.** Since a significant number of beneficiaries gather at POS locations at the time of tranche disbursement, anyone who's is present there would know about everyone else getting their money too. Since the amount is the same for everyone in the UCT program, they also know the amount withdrawn. Hence, compromising privacy of the beneficiary. BVS is also an assisted system of payment. An agent is required who is able to view the grant amount and beneficiary name on his interface. Besides the CICIO agent is generally a retail agent who also sells a variety of other products as well.

Despite the finding that just a third of BISP beneficiaries collect the transfers through ATM themselves, the vast majority of women beneficiaries across Pakistan retain this control, with **76% of female beneficiaries saying that they are the ones who decide how the funds are spent.** In Balochistan, this figure is marginally less at 72%. With time, BISP is now perceived by husbands and sons as support which is received through women, and should therefore be controlled by the beneficiary. However, World Bank's field interviews with beneficiaries revealed several cases where men did not hand over the cash grant to them or spent it without their knowledge and consent¹⁴⁹.

¹⁴⁷ "Benazir Income Support Programme: Final impact evaluation report." <https://www.opml.co.uk/files/Publications/7328-evaluating-pakistans-flagship-social-protection-programme-bisp/bisp-final-impact-evaluation-report.pdf>.

¹⁴⁸ Meeting with BISP Payments team, November 2018

¹⁴⁹ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>.

4.3.3 Choice

Currently there are only 3 mode of payments: BVS, BDC and Money Order covering 72%, 27% and 1% of the beneficiaries respectively. BISP signed 18 months long agreements (later these agreements were extended) with 6 banks in 2011 on a non-compete basis to disburse grants to the beneficiaries. Each banking partner was allocated certain number of districts to serve and no other banking partner was allowed by agreement to operate in the same area for the disbursement of BISP grants. So whatever mode of payment a banking partner was offering in that area, that is the channel beneficiaries have to use to withdraw their cash grants. The existing infrastructure and agreements in place do not offer any flexibility to the end user i.e. beneficiaries.

In terms of cashout points, beneficiaries are free to withdraw from any of the designated locations of the payment partner in the region. They are not assigned specific points. However, in view of affordability and timing, beneficiaries choose the point nearest to them.

With the New Payment Model under consideration, each bank will have to offer at least 3 payment channels to provide flexibility in choice to beneficiaries¹⁵⁰. This model is only in the planning phase at the moment with no timeline given for execution.

4.4 SECURE

BISP started the shift to a biometric-based cash withdrawal system in late 2016¹⁵¹. Payments through Biometric Verification System (BVS) eliminate the culture of someone else withdrawing on the beneficiary's behalf, making it more transparent and efficient. In BVS, beneficiary presents their CNIC only at POS (Point of Sale) or franchisee of the partner bank and affix her thumb impression for the withdrawal. A system generated receipt is given to her showing the record of payment and balance. The mandatory presence of beneficiary for receiving stipend ensures the payment is only received by the authorized person. This mechanism has reduced cases where beneficiaries were exploited by someone else who took their cards to withdraw cash for them. The method has also eliminated ghost beneficiaries.

However, the BVS method still has problems that need to be fixed. One of the issues identified in a human-centered study¹⁵² is that there is no mechanism to entertain beneficiaries whose fingerprints have worn out with age or due to extensive labour. World Bank's ESSA report finds that 2-10% of women engage in forms of livelihood that can affect their biometric data¹⁵³. Several women in Matiari and Umerkot who prepare local handicraft had their thumb impressions distorted. Other cases related to skin diseases also complicate biometric verification. Some women who are ill and cannot move, find it difficult to use biometric verification and withdraw money.

In addition, while the method has greatly reduced fraud by eliminating any middlemen who collect cash on behalf of the beneficiary, they are still open to exploitation by agents at the POS to an extent. It has been reported that at times agents conduct biometric verification of women, tells them they weren't verified successfully and should come back later. Since the verification has already been conducted without the beneficiary being aware of it, the retailer keeps their money. Even though the percentage of beneficiaries with

¹⁵⁰ Ibid

¹⁵¹ "BISP launches biometric payment verification system – Daily Pakistan" <https://pakobserver.net/bisp-launches-biometric-payment-verification-system/>.

¹⁵² HCD Study, Biometric Based Cash Withdrawals, Karandaaz

¹⁵³ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>.

BVS issues may be relatively small, it still becomes a major cause of concern when the affected individuals are vulnerable¹⁵⁴.

For data sharing with other organizations, in April 2018 BISP signed an MoU with Inbox Business Technologies for data protection¹⁵⁵. The technology partner will design a system for BISP to securely share its data with different entities, while keeping the ownership of the data intact. BISP will provide anonymous data as per protocols to Inbox for the prototyping purpose. Inbox will use the data for a web-based system prototype with several high-level features. The features will include new data dimensions created with better dashboards, secure API framework to share the datasets, syndication techniques between different data marts, optimised reporting engine with query builder as well as roles based access for data monetization.

4.5 ACCOUNTABLE

4.5.1 Awareness

While no detailed or updated information exists on awareness of the beneficiaries with regard to the payment systems, a spot check report by Mott McDonald and DFID in 2016¹⁵⁶ reported that 89.3% of the beneficiaries had no prior information that they will receive their payment after biometrics verification with the newly implemented BVS system of cash withdrawal. From those, who had come for the first time to their new POS, a majority 57.9% faced difficulties in locating the POS. 96.4%, reported that they had no prior information about the requirements of documents for receiving payments through biometric verification.

On the agent side too, none of the POS agents surveyed for the research reported that they were provided any training by banks, telcos or BISP to handle payments through biometric verification.

4.5.2 Recourse

An elaborate Grievance Redress Mechanism (GRM) is in place at BISP, offering individuals four channels to lodge their complaints¹⁵⁷: post, email, toll-free number, BISP tehsil offices. The authority to resolve complaints lies largely with BISP headquarters, with Tehsil offices playing a key role as relays to receive complaints and inform beneficiaries to provide personalized attention¹⁵⁸. BISP's Operations Manual (OM) covers the GRM

While BISP's Case Management Reports state that most of the complaints received are resolved, some beneficiary women in a World Bank assessment shared that their grievances date back to several months to a year and a half. Furthermore, most of the beneficiaries are unaware of the complaints process.

BISP has also signed agreements with NADRA and partner banks regarding their mechanism of dealing with grievances related to both enrolments and payments. BISP's mechanism differentiates between targeting, enrolment, payment and other complaints related to staff behaviour.

¹⁵⁴ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>

¹⁵⁵ "BISP signs agreements on data security, entrepreneurship trainings" 3 Apr. 2018, <https://dailytimes.com.pk/223083/bisp-signs-agreements-on-data-security-entrepreneurship-trainings/>.

¹⁵⁶ Assessment of Biometric based Payment System

¹⁵⁷ Spot Checks and Beneficiary Feedback, Grievance Redress Report (GRR-1), DFID, 2014, <http://bisp.gov.pk/wp-content/uploads/2016/10/GrievanceRedressReport.pdf>

¹⁵⁸ "BISP Technical Assessment , 53 pages - The World Bank Documents." 31 Mar. 2017, <http://documents.worldbank.org/curated/en/111621489672698369/pdf/113568-FSA-PUBLIC-P158643-Pakistan-National-Social-Protection-PforR-Technical-Assessment.pdf>. Accessed 6 Dec. 2018.

The case management system also considers several eventualities regarding grievances related to payments, each of which specifies a distinct protocol for processing. These include non-payment, partial payments and lack of receipt of payments, due to operational or non-operational reasons. The BISP system of grievances also allows for Receiver Women to complain about the general quality of the service provided by BISP and partner organizations which could include cases of corruption, mistreatment negligence of BISP staff to solve cases of updates and complaints. However, complaints can only be lodged in these predefined categories, which need to be made more flexible.

The last available research on **grievance redress system** of BISP in 2014¹⁵⁹ states that the most used grievance redress system is personal visits to the BISP Tehsil Office as this offers the chance of a face-to-face interaction and suits the profile of the beneficiary. About **95%** of the **respondents** in the survey on enrolments felt that their **complaint** had been **heard**. However, **only 11% cases were resolved** as per the respondent in the survey. The average time to solve enrolment grievances took about twelve and a half month (383 days) and cases related to payment grievances took 77 days to resolve. 93% of complaints are resolved using technology based systems¹⁶⁰.

The most frequently cited grievance was related to the behaviour of the POS agent (41%) followed by delay in response from BISP (35%), no intimation when payment was deposited into the Beneficiary LMA account (18%) and charges for services of POS agents or payment of baksheesh to them (18%)¹⁶¹.

ESSA report by World Bank¹⁶² captures that 75% grievances are linked to 'discrepancy in CNICs' (mandatory ID) while the second largest (24%) category is by women who perceive that they should be eligible for BISP and they want to challenge their ineligibility for BISP.

The HCD study¹⁶³ in 2017 found that tehsil offices forward complaints through the complaint management system for resolution, but rarely ever hear back. They have to manually follow up through other channels of communications like email for any progress.

There were multiple sources of information from which the beneficiaries had heard about the BISP system of registering and resolving complaints. The primary source of information were informal sources (61%) like family and friends, influential people in the village. Electronic media was also a source of information for 14%, including both Radio and Television¹⁶⁴. World Bank study (ESSA)¹⁶⁵ states that:

“According to Mott Macdonald’s Spot Checks and Beneficiary Feedback report “52% of the respondents said that they did not know where to register a complaint”.

¹⁵⁹ Ibid

¹⁶⁰ "Pakistan National Social Protection Program, Environmental and Social Systems Assessment (ESSA), Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Discovered-2-8-2017.pdf>

¹⁶¹ Spot Checks and Beneficiary Feedback, Grievance Redress Report (GRR-1), DFID, 2014, <http://bisp.gov.pk/wp-content/uploads/2016/10/GrievanceRedressReport.pdf>

¹⁶² "Pakistan National Social Protection Program, Environmental and Social Systems Assessment (ESSA), Final Report - World Bank Documents." 26 Jan. 2017, page 58. <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Discovered-2-8-2017.pdf>

¹⁶³ HCD Study, Biometric Based Cash Withdrawals, Karandaaz

¹⁶⁴ "Title Page - Benazir Income Support Programme." 30 May. 2014, <http://bisp.gov.pk/wp-content/uploads/2016/10/GrievanceRedressReport.pdf>.

¹⁶⁵ "Pakistan National Social Protection Program, Environmental and Social Systems Assessment (ESSA), Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Discovered-2-8-2017.pdf>

A comprehensive Management Information System (MIS) has been proposed under the New Payment Model that will integrate payments complaints and grievances with partner payment service providers/banks' MIS interface. This will allow for more efficient tracking of payment GRM¹⁶⁶.

¹⁶⁶ "Pakistan National Social Protection Program, Environmental and Social Systems Assessment (ESSA), Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>

5. Direct Criteria

5.1 Introduction

An important element of the D3 criteria intended to inform assessments of existing and proposed social protection programs is the “Direct” criteria. The principle that is considered as key is: ‘one woman, one account.’ This is to safeguard the digital cash transfer payments and ensure that they are direct payments into an account held by the beneficiary, who has control over the account registered in her name and to which she has direct access. The direct principle is designed in order to enhance women’s prospects for control and to mitigate the risks of having funds appropriated by other family members. This section especially focuses on the BISP experience of providing financial services to its target group and the main features of those accounts. A more complete analysis of the Direct Criteria in as far as it applies to BISP has been undertaken, this section of the report limits itself to the specific questions asked in the D3 framework.

5.2 Beneficiary-owned account

The payment goes directly into a Limited Mandate Account associated with a particular beneficiary that has restrictions. Also the account can only be operated through branchless banking agent and/or ATM. No changes in the status of the account can be made by the beneficiary herself.

BISP has experimented with a range of payment modalities that devised different mechanisms of delivering the funds to the women directly or indirectly over the last decade. The payments have been made through the Pakistan Post, Benazir Smart Card (BSC), mobile money Wallets (pin code based), Benazir Debit Card (BDC) and finally through a branchless bank agent after biometric verification (mobile money variant). Regardless of the overall modality used, the payments were essentially delivered through three main channels; the postman, the POS or Branchless Bank (BB) agent or the ATM.

The current BISP payment modality at the end of December 2018, uses the Post Office (1%), the Benazir Debit Card (27%) and payments through Branchless Banking agents after biometric verification - BVS(72%). By 2019, there is a plan to convert all transfers onto BVS based cash transfer system.

5.3 Beneficiaries’ control and, direct access over the account

The beneficiary has no control over the account and only has indirect access to it to withdraw her funds within a certain time period through a BB agent or directly through an ATM or CICO Agent.

At present, the two main payment modalities used to make payments to BISP beneficiaries are the Benazir Debit Card and the Biometric Verification System (BVS) in which payments are made through an agent. Both these modalities use the Branchless Banking (BB) regulation of the State Bank. This allows the participating banks to open a Limited Mandate Account 1, which is an account of the participating bank with BISP and LMA 2, which is an account of the beneficiaries with the participating bank. In the payments made through the BDC, the beneficiary has the option to withdraw the funds through a BB agent or an ATM. In the BVS system, the beneficiary can only withdraw funds through an agent.

BISP allows the LMA 2 accounts of the beneficiary to be used only for disbursements and any payment not withdrawn by the beneficiary within 180 days of arriving in the account has to be returned to BISP by taking the money out of LMA 2 and put back in the LMA 1. The LMA 2 BISP beneficiary account is used only as a mechanism to record receipts and outflows into and from the account of the beneficiary. There are no other transactions which the banks or beneficiaries are allowed to make on these accounts. LMAs can have much

greater functionality such as is allowed to wallet accounts, which have daily or annual transactional limits and enable the clients to transact within the available digital ecosystem. However, the limitation in the BISP LMA 2 accounts is that they do not allow the beneficiary any option to function as a Digital Transaction Account (DTA).

5.4 Financial Inclusion Vs. limited functionality accounts

The objective of financial inclusion can be achieved with limited functionality accounts. However, the problem is that BISP does not allow the use of LMA 2 accounts for any purpose other than to disburse its payments.

The limited functionality accounts that can be opened under the Branchless Banking Regulation (BBR) allow the full range of products that a bank offers including account opening and maintenance, cash in and cash out, fund transfer of different types, bill and merchant payments, loan disbursements, repayments and remittances. The current maximum balance limits and throughput thresholds can accommodate the transactions that someone with the BISP Beneficiary profile can be expected to make. Those providing BB services would like to convert the LMA 2 accounts into full fledged transactions accounts, encourage clients to use them for bill payments, at retail outlets for remittance services and even link them with loan and savings products. Thus the objective of financial inclusion can be achieved with limited functionality accounts. However, the problem is that BISP does not allow the use of LMA 2 accounts for any purpose other than to disburse its payments. It has so far been unwilling to consider any other use of these accounts due to fears that the accounts could be misused if opened to other uses, and it would be difficult to monitor the safety net payments.

A key problem in achieving the financial inclusion objectives through the limited mandate accounts is that the digital payment ecosystem is not that well developed yet to offer any value propositions for the client with the BISP beneficiary profile. The record at the moment shows poor performance in the digital financial space overall. According to the latest State Bank statistics on the Branchless Banking (BB) sector, mobile wallets are growing rapidly and reached a high of 33 million at the end of September 2017. However, due to the limited value proposition of these accounts, 53% are inactive and the average deposit balance in these accounts is only around Rs. 340 signifying their low value added for clients. BMGF and Karandaaz are working to convert the Limited Mandate Accounts (LMA) of the 5.7 million current beneficiaries of the BISP G2P payments to a full-fledged Digital Transaction Account. However, even if this transformation is successfully advocated, women must be offered financial services that are attractive for them for these accounts to have any use for them.

The current LMA 2 account with limited functionality cannot assist in achieving all the broad objectives of financial inclusion for women. While the process of securing the payment instrument and the payments has enhanced women's mobility, increased their exposure and made them gain in confidence, there is more that could have been achieved by structuring the payments in ways that did not require women to depend so much upon others in understanding how the system works and in preventing the leakages in the process of acquiring the payment. However, one must be cautious in recommending a full purpose account at this stage because, this itself does not offer the type of services that women are using judging by the low level of formal bank account and BB account use that is being recorded. The digital space offers women few opportunities at this stage given that few women own their own mobile phones and even those men who have opened full DTAs, do not actively use a large portion of those accounts or use them as a store of value.

Despite the limited nature of the payment systems, women are beginning to feel more confident when withdrawing their payments. The process of acquiring their Computerized National Identity Cards, which is a prerequisite to be eligible for BISP, the greater frequency in the use and ownership of mobile phones and

going to banks/ATMs is making women gain in self-confidence. There has been a rapid increase in the registration of women who were the primary target group of BISP and it is estimated that there has been an increase of 52% among women who have registered with NADRA in the years following the cash transfer program¹⁶⁷. A major reason for this increase is attributed to the condition that all beneficiaries must have a CNIC.

5.5 Tradeoffs of limited mandate Vs. fully functional accounts

There are several advantages of the limited mandate account over the fully functional accounts.

It is an entry level account, sufficient for most low income individuals, it has minimum KYC requirements and can be opened digitally without a visit to the bank and transactions can be made through a BB agent. The bank does not make any deductions for low account balances that are charged at fully functional accounts. The LMA can be used through a BB agent rather than a bank branch and given that the number of registered BB tills is significantly larger (405,673) than the number of bank branches or ATMs (13,409), it provides its client much greater outreach. Of course, the incentive for the women to open and maintain any DTA account would be contingent on the account offering a real value proposition for her. In the absence of such a proposition, she would have little interest in doing so.

The manner in which the limited functionality account is used by BISP does not allow any use of the account other than to receive BISP payments. Thus it allows no other service to the account holder and provides the BISP beneficiary no access or control to her account. The rationale for Limited Mandate Accounts, is that BISP's main objective is to ensure accountability and audit trace of grant payments into and out of the accounts of beneficiaries. BISP likes to retain control of the account to recover the funds which are not withdrawn by the beneficiary by a certain date. There is a strong concern over loss of financial oversight and control over the accounts if other transactions are allowed into them (accounting doesn't stay straightforward).

In any case, converting these accounts into fully functional accounts would only be meaningful if the financial institution provided a real value added to the women. One of the most attractive features that women would value in these accounts is the security and confidentiality of the payment. Currently, there is a frantic rush to withdraw payments as soon as it is learnt that BISP has remitted the payments, amid fears that the payments would otherwise be withdrawn. Given the withdrawal of payments after a certain time period by BISP, this is probably a legitimate concern. The second factor is that in the current scenario women are not given any kind of privacy in withdrawing their funds. The process of withdrawal is conducted in a very public space at a retail outlet where there is little prospect of any privacy or confidentiality for women who may want to guard the amount they have received. Once these basic attributes are ensured, and women have more confidence in the security of the account, banks could offer other services of value to women such as payment services, savings and loans of value, to them.

Despite the positive feedback from some of the women beneficiaries of BISP, it is clear from the experience in the last decade that the potential gains of social protection for women's economic empowerment have yet to be fully realized. In particular, the opportunity of using the payment system to have an impact on women's lives has not been capitalized upon. The BISP system is far from providing 'one woman, one account' in any meaningful sense. In case BISP gives women the control over the account, they will lose control of the account themselves in the sense that they would not be able to withdraw the payment from it after the stipulated

¹⁶⁷ Director General NADRA. Personal Interview with team on July 3, 2015.

deadline of 180 days. This in particular was a matter of concern for them because a certain percentage of the women never withdrew the payments, for reasons which no one fully understood.

There is limited experience of women receiving multiple government transfers into one account and thus no systematic analysis of this aspect in Pakistan exists.

5.6 Analysis of account type "menu" beneficiaries can use

There is no account type “menu” that beneficiaries can use in the case of payments through an agent. The only option they are given is to withdraw their funds. It is the situation with respect to women who withdraw their funds through the ATMs. Women were expected to select the “default option” when choosing the type of account from a menu that listed “Savings Account” and “Current Account” as the other option. Her only option in this case was to either withdraw her money or check her balance.

6. Design Criteria

6.1 ENSURE APPROPRIATE COVERAGE

6.1.1 Eligibility and Targeting

Initial Targeting

When BISP was first launched in August 2008, beneficiary targeting was done through elected representatives, who were asked to identify a set number of needy constituents, and have them registered with the programme¹⁶⁸. The criteria set was that recipients should not have a monthly income greater than PKR 6,000, agricultural land larger than 3 acres, an overseas Pakistani identity card or an overseas passport, an account with a foreign-owned bank, or a household member employed in the public sector¹⁶⁹. By default, an overwhelming number of Pakistani households qualified for the program under these conditions, which effectively gave politicians complete agency to cherry-pick recipients at their own discretion.

Revised Targeting

This approach naturally came to be questioned for objectivity, and the government decided to approach the World Bank for assistance in developing a more objective and rigorous targeting methodology preferably one that had been tried and tested in other parts of the world. A poverty scorecard based targeting approach was recommended by the Bank, and agreed to by the Government of Pakistan given the substantial body of literature in its favour.

BISP uses a weighted index of easily observable proxies of welfare to approximate the household poverty status. While the need for the BISP to transition away from a targeting mechanism that is fully reliant on political leaders may immediately be obvious, why an income cut-off did not suffice instead may be less self-explanatory.

The limitation of using income as a targeting mechanism stems from the fact that income represents a measure of 'welfare opportunity', while consumption speaks to a measure of 'welfare achieved'. Income, especially in agrarian societies, is more given to seasonal fluctuations than consumption expenditures are, because households with volatile incomes tend to smooth their consumption over time. Given this, consumption expenditures instead of income may be better equipped to reflect the true economic status of a household at any given time¹⁷⁰.

Moreover, household surveys are better suited to measuring consumption expenditures than income. This is because respondents are more inclined to reveal their consumption patterns than their incomes, and households' sources of income may include home-based production. Thus, the response biases in the values that households attribute to their own produce may distort measures of household income. For these reasons, income is deemed to be an unreliable metric for gauging the poverty status of a household. In light

¹⁶⁸ "(BISP) Targeting Process Evaluation. - Benazir Income Support" 18 May. 2012, <http://bisp.gov.pk/wp-content/uploads/2016/07/Final-Report-BISP-Targeting-Process-Evaluation-Cluster-A-and-B.pdf>. Accessed 16 Nov. 2018.

¹⁶⁹ "The Targeting Performance and Short-Term ... - Economics at Yale." 3 Apr. 2017, https://economics.yale.edu/sites/default/files/files/Undergraduate/Nominated%20Senior%20Essays/2016-17/Amen_Jalal_Senior%20Essay.pdf. Accessed 22 Nov. 2018.

¹⁷⁰ "The Targeting Performance and Short-Term ... - Economics at Yale." 3 Apr. 2017, https://economics.yale.edu/sites/default/files/files/Undergraduate/Nominated%20Senior%20Essays/2016-17/Amen_Jalal_Senior%20Essay.pdf. Accessed 22 Nov. 2018.

of this, the BISP adopted the PMT as a more reliable alternative to income cut-offs for the identification of beneficiaries.

Poverty Scorecard

BISP targeting has, since 2009/10, been based on the results of a poverty scorecard census, piloted initially in 16 districts in 2009, and then rolled out nationwide in phases from 2010 to 2012. The BISP census covered all four provinces, as well as Islamabad, the Gilgit Baltistan region, Azad Jammu and Kashmir (AJK) and the Federally Administered Tribal Areas (FATA)¹⁷¹.

In what was a key departure from the pilot phase, the new PSC also required enumerators to record the “educational status” of each member of the household (whether currently enrolled in an educational institution or not); the level of education completed by them; and whether or not they had a visible or obvious disability¹⁷². This information was to facilitate some of the graduation programmes being developed under the aegis of BISP. The information on educational status, for example, helped BISP to determine that a substantial proportion of children of primary school age in BISP beneficiary households were not in fact enrolled. This paved the way for the Waseela-e-Taleem programme.

The poverty scorecard emphasized asset enumeration (of land, livestock, means of transport, and household goods), but also includes information on social indicators for the household. These include information on extent of education of the household head, number of children in school, type of sanitation system used, and structure of the dwelling. A poverty score that ranges between 0 and 100 was generated and assigned to the households based on the indicators in the scorecard.

The indicators fell under the following broad categories: i) household and individual characteristics. 2) ownership of durable goods and housing characteristics. 3) ownership of productive assets, especially land holding, livestock and farm equipment.

Following the NSER full roll-out and implementation (2009-2012), the PMT score was calculated for a total of 25.5 million households, while another 1.9 million households remained without a score due to discrepancies information¹⁷³. The highest proportion of households with incomplete information was found in Balochistan and FATA, 16 percent and 18 percent respectively, contributing further to exclusion errors.

BISP ascertained that subject to budgetary constraints, targeting 25% of the country’s poorest is the most effective way to minimize errors of exclusion and inclusion¹⁷⁴, and picked a cut-off of 16.17. This was based on simulations that took into account the estimated program coverage and budget requirements. Households with scores lower than or at this number (about 18% in the survey¹⁷⁵) were eligible for the cash transfer assistance. This is believed to be high enough to encapsulate the target population i.e. 25% of Pakistan’s

¹⁷¹ "(BISP) Targeting Process Evaluation. - Benazir Income Support" 18 May. 2012, <http://bisp.gov.pk/wp-content/uploads/2016/07/Final-Report-BISP-Targeting-Process-Evaluation-Cluster-A-and-B.pdf>

¹⁷² Ibid

¹⁷³ New PMT Formula for NSER Update, BISP documents

¹⁷⁴ "The Targeting Performance and Short-Term Welfare Effects of Female" 3 Apr. 2017, https://economics.yale.edu/sites/default/files/files/Undergraduate/Nominated%20Senior%20Essays/2016-17/Amen_Jalal_Senior%20Essay.pdf

¹⁷⁵ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>

poorest households. As a product of this exercise, more than 7.7 million households were identified as eligible for BISP¹⁷⁶.

This cutoff is not the poverty line per se. The determination of the cut-off score was also influenced by the magnitude of resources available. The budgetary allocations for BISP cover the number of households who fall below the designated cut-off score. In 2013, BISP and the World Bank estimated that they are covering about 40% of the total number of households who fall below the poverty line in Pakistan¹⁷⁷.

Inclusivity and Eligibility Exceptions

The eligibility criteria is non-discriminatory and no aspect of the program leads to discrimination against minorities, certain women or age groups, disabled etc. Although the non-discriminatory nature is clear – the program does not ensure inclusivity of some vulnerable groups such as communities facing disasters and insecurity, neither does it adopt any specific measures to reach out to particularly marginalized and disadvantaged groups like the Kalash¹⁷⁸.

The program has actively stipulated exceptions to eligibility in its framework. For instance, if someone suffers from a disability but has a poverty score of 20, she may still qualify for the program on grounds of social justice and equity¹⁷⁹. The criteria has also been updated recently to include the never married women above 40 years and transgender persons above 18 years¹⁸⁰.

There is no mechanism currently within BISP to involve community participation in the validation of the targeting criteria used.

National Socio Economic Registry (NSER) Update

BISP began the process of upgrading the National Socio-Economic Registry (NSER) in 2017 in order to have access to latest household data figures and further improve targeting. The last survey of NSER was in 2010. A Value for Money (VfM) analysis was carried out to assess the comparative outcomes of each approach, the results of which informed the final approach for the national rollout of the NSER Update. The updated data will help BISP in assessing welfare status of the existing beneficiaries as well as help in identifying new eligible families that need to enter the programme.

In 2010, 23 socio-economic variables were used in the questionnaires. This has increased to 45 variables in the 2018 survey for an even better scorecard in line with best practices. 77. The updated selection of variables included in the formula was done on the basis of three main criteria: i) strong correlation with the welfare indicator (consumption); ii) the variables refer to indicators that are easy to observe, measure, and verify; iii) sufficient frequency (for categorical variables). The previous PMT formula included indicators of household head's educational attainment and children's enrollment in school. Although these indicators are strong predictors of poverty outcomes in regressions, they are not easily observable and verifiable. The

¹⁷⁶ "The Targeting Performance and Short-Term Welfare Effects of Female" 3 Apr. 2017, <https://economics.yale.edu/sites/default/files/files/Undergraduate/Nominated%20Senior%20Essays/2016-17/Amen%20Jalal%20Senior%20Essay.pdf>

¹⁷⁷ "(BISP) Targeting Process Evaluation. - Benazir Income Support" 18 May. 2012, <http://bisp.gov.pk/wp-content/uploads/2016/07/Final-Report-BISP-Targeting-Process-Evaluation-Cluster-A-and-B.pdf>

¹⁷⁸ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>

¹⁷⁹ "The Targeting Performance and Short-Term ... - Economics at Yale." 3 Apr. 2017, <https://economics.yale.edu/sites/default/files/files/Undergraduate/Nominated%20Senior%20Essays/2016-17/Amen%20Jalal%20Senior%20Essay.pdf>

¹⁸⁰ "New eligibility criteria for selection of new BISP beneficiaries approved" 30 Jan. 2018, <https://www.brecorder.com/2018/01/30/395992/new-eligibility-criteria-for-selection-of-new-bisp-beneficiaries-approved/>

updated formula includes an indicator of adults' literacy, which is less prone to measurement error and misreporting compared to categorical variables for educational attainment. The formula also incorporates interactions between urban status and agro-climatic zones, as these are significant predictors of per adult consumption levels¹⁸¹. World Bank finds that PMT is a suitable method for NSER¹⁸².

For updating the NSER, BISP has made a shift from Paper Based Personal Interviewing (PAPI) method to Computer Assisted Personal Interviewing (CAPI) methodology used internationally. Where CAPI approach would not be feasible, PAPI approach will be used to ensure 100 percent coverage of the households across the country¹⁸³.

In some communities, such as Haripur KP, registration method is important as other methods may give rise to 'shame' and bring the stigma of poverty¹⁸⁴. Initially, BISP in Haripur realized that cultural norms and pardah often prevent women from accessing BISP offices and offered door-to-door registration. However, people often felt embarrassed among their neighbors and did not want to be associated with poverty. They later approached BISP office to register and admitted that availing government protection against poverty shames them in the community. BISP needs to act on this insight in choosing which method of surveying is being used for the NSER update.

The program intends to bring in 8 million additional beneficiaries to its fold after the update is complete¹⁸⁵. The survey is being conducted in 6 clusters of 141 districts in total, covering 190 million population, and will take around 6 to 8 months to complete¹⁸⁶. The data collected is encrypted to ensure protection, and the method has been designed by Punjab Information & Technology Board and the Management Information System department of BISP. The current limitation of the MIS is that it cannot share data in the real time with bodies like NADRA or Punjab Land Regulatory Authority. BISP is working on a future of this with an API enabled system which can share data seamlessly with other organizations. It will also be able to update the status of beneficiary in their MIS as well, e.g. if some other organization is providing them with cash grants BISP will have a record of it. A dashboard that provides real time updates on progress of the ongoing NSER survey is in place, according to filters like region, clusters, provinces etc.

¹⁸¹ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>.

¹⁸² Ibid

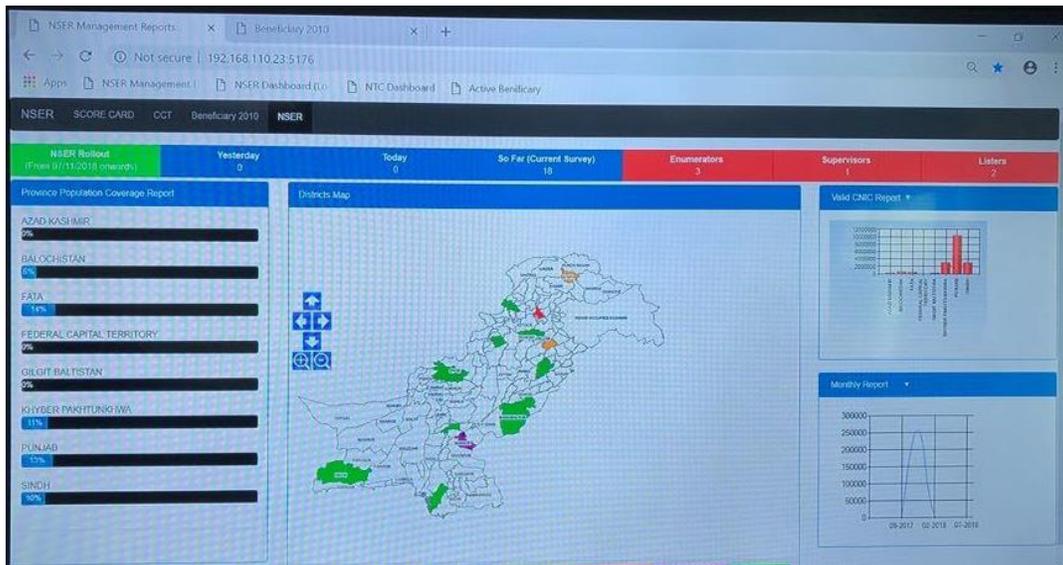
¹⁸³ "NSER – Benazir Income Support Programme." <http://bisp.gov.pk/nser/>.

¹⁸⁴ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>.

¹⁸⁵ "BISP to bring in 8m more beneficiaries | Islamabad | thenews.com.pk" 16 Nov. 2018, <https://www.thenews.com.pk/print/394335-bisp-to-bring-in-8m-more-beneficiaries>.

¹⁸⁶ Meeting with DG NSER at BISP, November 2018

Figure 15: Dashboard at BISP HQ showing real time updates of NSER 2018



Targeting Performance

In early 2018, BISP's targeting performance on aspect of inclusion was ranked by the World Bank as the best in the world among all unconditional cash transfer programs, using the Revised Proxy Means Test¹⁸⁷. Although the revised method had not been implemented, simulated results show that the revised formula increases targeting performance by 12.5 percentage points. This moved the program from the 5th slot in 2010 to the top slot in 2018. The formula will be implemented after the update of National Socio-Economic Registry is complete. **In 2017, the World Bank ranking for the program was upgraded from 'satisfactory' to 'highly satisfactory' as a result of its performance¹⁸⁸.** These are both indicators that the targeting of the program is already optimized for best results.

However, **work needs to be done to minimize errors of exclusion in special cases** like indigenous people (IP) from Kalash Valley, missed out minorities e.g. Sikh community in Punja Sahib etc. A World Bank field mission¹⁸⁹ revealed that the Kalash community has a distinct understanding of poverty that does not overlap with the mainstream definitions that place emphasis on asset ownership at household level. Their assets have a transient quality, are communally owned and are neither permanent nor a source of regular income. During the poverty scorecard survey (2010), communication problems were reported between survey teams and the Kalash. Due to this, Kalash assets were taken as regular sources of income, and a majority of poor households in the valley were excluded from the program. **Only 3-4% of Kalash households are included.** The mission also observed that whereas several minorities are taking benefits of BISP, there are some which have been left out, like the Sikh community in Punja Sahib. This community was found to be extremely vulnerable and dependent on their religious leaders for access to BISP. They seemed to meet the eligibility criteria for BISP due to their migration from FATA as a result of militancy. However, they were too trauma-stricken and insecure to access BISP and were unsure if the Program could accommodate the change in their status.

¹⁸⁷ "BISP achieves first position worldwide in targeting performance" 27 Mar. 2018,

<https://www.pakistanatoday.com.pk/2018/03/27/bisp-achieves-first-position-worldwide-in-targeting-performance/>.

¹⁸⁸ "BISP earns \$794m forex over performance - Pakistan - DAWN.COM." 1 Oct. 2017, <https://www.dawn.com/news/1361160>.

¹⁸⁹ "BISP Environmental and Social Systems Assessment (ESSA), Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Discovered-2-8-2017.pdf>

The new NSER aims to address overall errors of exclusion to an extent through dynamic update of beneficiaries. It will enable BISP to improve coverage of its core program and reduce exclusion errors. Families who meet the eligibility criteria but are currently excluded will be enrolled in the program with their updated information. World Bank acknowledges that this will lead to positive social benefits¹⁹⁰. However, according to last known information, it does not include any variables on marginalization and social exclusion¹⁹¹, which is also a dimension of poverty.

Coverage of the program at present by province and region is given in Table 11 below.

Table 11: Program Coverage Distribution¹⁹²

	Coverage (% of population)	Targeting (% of beneficiaries that are poor, bottom 20%)	Targeting (% of beneficiaries that are poor, bottom 40%)	Coverage of the bottom 20 Population (%)	Coverage of the bottom 20 Population (%)	Coverage of the bottom 20 Population (%)	Coverage of the bottom 40 Population (%)	Coverage of the bottom 40 Population (%)	Coverage of the bottom 40 Population (%)
	All	All	All	All	Rural	Urban	National	Rural	Urban
KPK	16.6	48.1	81.3	47.9	48.2	44.7	33.2	34.0	26.8
Punjab	17.7	60.4	84.7	61.7	63.8	52.8	43.5	45.8	35.9
Sindh	23.1	62.3	90.9	62.0	66.4	49.9	45.8	52.0	31.6
Balochistan	41.2	72.8	92.7	71.3	71.6	70.1	55.0	57.2	46.8
All	20	60.9	86.9	61.1	63.1	53.1	43.6	46.4	34.5

Participation in other Programs

BISP beneficiaries often participate in other programs, over 100,000 in microfinance alone (as of 2017)¹⁹³. Currently, most of the collaboration between BISP and complementary service providers is on need-basis. Some organizations use NSER data to target their interventions, although in many cases the cutoff scores for eligibility differ from that of BISP. The BISP headquarters has agreements with multiple service providers to periodically receive their enrolment information and compare it with BISP beneficiary data. The table below provides a glance at beneficiary participation in other programs¹⁹⁴.

¹⁹⁰ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>

¹⁹¹ Ibid

¹⁹² New PMT Formula for NSER Update, BISP documents

¹⁹³ "BISP Technical Assessment , 53 pages - The World Bank Documents." 31 Mar. 2017, <http://documents.worldbank.org/curated/en/111621489672698369/pdf/113568-FSA-PUBLIC-P158643-Pakistan-National-Social-Protection-PforR-Technical-Assessment.pdf>.

¹⁹⁴ Ibid

Table 12: Beneficiary Participation in Other Programs

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

Source: BISP management as of October 15, 2016.

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

6.1.2 Financing

The financing for BISP is made part of the annual budget by the Federal Government. Allocation of funds for the program has increased annually. Foreign contribution from sources like ADB, World Bank and DFID have also increased from just 3 percent in fiscal year 2009-2010 to over 14 percent in 2015-2016¹⁹⁵. The total funding (govt. + donor) in 2009-2010 was PKR 70 Billion, and has risen to almost PKR 125 Billion in 2018-2019¹⁹⁶. Of the total expenditure, the basic income support/UCT represents the largest component¹⁹⁷.

¹⁹⁵ "Budget Increase – Benazir Income Support Programme." <http://bisp.gov.pk/service/budget-increase/>

¹⁹⁶ "BISP funds rise to almost 125bn for fiscal year 2018-19 | Business" 27 Apr. 2018, <https://www.brecorder.com/2018/04/27/414756/bisp-funds-rise-to-almost-125bn-for-fiscal-year-2018-19/>.

¹⁹⁷ "Pakistan National Social Protection Program-for-Results : technical" <http://documents.worldbank.org/curated/en/111621489672698369/Pakistan-National-Social-Protection-Program-for-Results-technical-assessment-2017>.

Table 13: Program-wise Expenditure (PKR, millions)

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

DFID is one of the biggest external funders of BISP. It gave the program a high rating of A and provided a total of £300 Million in 2016. The ADB also announced a \$35 million grant to BISP for its Business Incubation Self-Employment (BISE) program in May 2018¹⁹⁸.

The Government's expenditure framework for BISP envisages spending of US\$5 billion from 2017/18 to 2020/21¹⁹⁹. The World Bank funding would be US\$90 million through DLIs and US\$10 million as technical assistance (TA), which is a fraction of BISP's total budget during the life of the Program. The overall funding for the Program is largely provided by the federal government budget following the regular cycle and will flow through distinct line items.

Table 14: Budget Estimates (USD, millions)

	Head of Accounts	2017/2018	2018/2019	2019/2020	2020/2021	Program Estimated Expenditure 2017/18-2020/21
		Estimates based on the Medium Term Budget Framework		Linear Projection Estimates	Linear Projection Estimates	
1	Basic income support (transfers)	1,078.8	1,159.7	1,252.5	1,330.8	4,821.8
2	WeT (transfers)	38.5	41.4	44.7	47.5	172.1
3	Systems and operational improvements	42.1	21.1	0.2	0.2	63.6

¹⁹⁸ "Self-Employment Programme: ADB provides grant of \$35m to BISP" 4 May. 2018, <https://tribune.com.pk/story/1701906/2-self-employment-programme-adb-provides-grant-35m-bisp/>.

¹⁹⁹ "Pakistan National Social Protection Program-for-Results : technical" <http://documents.worldbank.org/curated/en/111621489672698369/Pakistan-National-Social-Protection-Program-for-Results-technical-assessment-2017>.

4	Other Program related expenses	2.8	46.0	49.7	52.8	151.3
5	Administrative expenses	28.6	30.7	33.2	35.3	127.8
Total Budget		1,230.8	1,299.0	1,380.2	1,466.6	5,376.6

Budget estimates for FY19/20 and FY20/21 are based on historical trends; System and operational improvements include the estimated cost of updating of the NSER, as well as costs related to systems for improving access to complementary services. These are added on top of the government budget estimates. Other program-related expenses include service charges, research and consultancy, and awareness campaign expenses; Administrative expenses include salaries, assets, and other operating expenses. The source²⁰⁰ has used the exchange rate of PKR 104 = US\$1, as it was at the time of publication.

BISP's budget is provided as a 'one line' item in the Federal Budget. The detailed classification of expenditures is not made by the Ministry of Finance (MoF). Rather, funds are released, typically quarterly, by the MoF (in lump sum) leaving it to BISP to allocate and classify them into the various initiatives being undertaken. Funds provided to BISP are classified as development expenditure and not current expenditure. This is the usual pattern followed for development schemes where rupee cover provided by the GoP is booked as development expenditure along with 'Foreign Aid' disbursed by a donor agency. Booking all expenditures in cash transfers as development expenditures differs significantly from other countries. The expenditure on the majority of cash transfer programs around the world is classified as recurrent expenditure and not development expenditure²⁰¹.

Robust allocations of funds by the GoP have ensured that BISP's initiatives have not been underfunded. As the flagship social safety net program of the Government, donor commitment has been high, as evidenced above with support of World Bank and others.

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

6.1.3 Size of Transfer

The value of the BISP transfer has steadily increased over the lifecycle of the BISP programme. At the inception of the BISP, the planned value of the transfer per beneficiary was PKR 1,000 per month. This increased to PKR 1,200 per month with effect from the 1st of July 2013 and then further increased to PKR 1,500 per month with effect from the 1st of July 2014²⁰², and gradually became 1666 monthly in July 2018.

²⁰⁰ Ibid

²⁰¹ Ibid

²⁰² "Benazir Income Support Programme: Final impact evaluation report." <https://www.opml.co.uk/files/Publications/7328-evaluating-pakistans-flagship-social-protection-programme-bisp/bisp-final-impact-evaluation-report.pdf>. Accessed 15 Nov. 2018.

The transfer amount is the same for every beneficiary in the UCT program (Rs.5000 quarterly at present), and does not vary household to household according to needs. For Waseela-e-Taleem CCT, in addition to the amount granted under UCT, enrolled beneficiaries receive Rs.750 per child in primary school attendance every quarter.

Table 15: Trends in Size of BISP Transfer

Trends in the size of BISP transfer			
Year	Monthly	Quarterly	Sources
2008	1000	3000	Impact Evaluation Report
July 2013	1200	3600	Impact Evaluation Report
July 2014	1500	4500	Impact Evaluation Report
July 2015	1566	4700	Impact Evaluation Report
July 2016	1611	4834	Press release
July 2018	1666	5000	Press release

There is no specific data on the adverse work effects of BISP in terms of disincentives as a result of the cash transfer. International research reports that benefits of safety net programs typically range from about 5% (China) to 25% (Mexico) of the bottom quintile consumption.²⁰³ It is generally believed that below 10% is believed to be too low, above 30% too high in terms of adverse work effects.^[1] **The grant amount was at 8.9% of per adult equivalent monthly consumption expenditure in 2016.** The increase in grant amount year after year is linked with Consumer Price Index (CPI). This was a condition set by DFID to qualify for its grant in 2016²⁰⁴.

6.1.4 Timing and Frequency

BISP payments are made quarterly and each beneficiary is expected to receive a total of 4 payments in an annual cycle. In the evaluation survey²⁰⁵, each beneficiary within a household was asked how many payments she personally received in the last 12 months. Payments were found to be regular and in full for 87% of the beneficiaries, and received at least three payments in a 12 month cycle.

There were some regional differences observed, with just 71% of beneficiaries in Balochistan receiving at least three payments in the last 12 months. Beneficiaries in Balochistan were also the most likely to have reported not receiving a single payment in the last 12 months. 12% of Balochi beneficiaries reported this to be the case, compared to a sample average of 5%. This finding may be related to the lower reach of banking facilities in the province and the greater distance of beneficiaries to those facilities.

²⁰³ October 2018. BMGF. D3 Criteria.

²⁰⁴ "Balancing with inflation: BISP beneficiaries' stipend increased by Rs66" 14 Feb. 2016, <https://tribune.com.pk/story/1046406/balancing-with-inflation-bisp-beneficiaries-stipend-increased-by-rs66-per-month/>.

²⁰⁵ "Benazir Income Support Programme: Final impact evaluation report." <https://www.opml.co.uk/files/Publications/7328-evaluating-pakistans-flagship-social-protection-programme-bisp/bisp-final-impact-evaluation-report.pdf>.

Quarterly payments allow for larger payments at a time. It keeps operational costs at a minimum and also provides enough cash at a time that's no more than 3 months apart.

6.1.5 Exit Criteria and Duration of Eligibility

The Program aims for maximum impact by providing beneficiaries with cash transfers as long as possible, provided that the need persists and the receiver women continue to meet with the program's eligibility criteria. BISP's Payment Manual envisioned that every 4 years, beneficiary households will be recertified. If the household falls below the defined cut off point for recertification, the receiver woman will continue participating in the Program²⁰⁶. However, no evidence of this recertification was found in practice. Their eligibility is only now being retested in the ongoing NSER survey.

Other reasons not related to the re-certification but also causing exit from the program are:

- Renouncement: The receiver woman decides to renounce herself as a beneficiary of BISP.
- Fraud: The household representative has presented false information related to eligibility and/or committed fraud against the program.

For CCT, the cash transfers continue up until the child completes their primary education²⁰⁷.

6.2 MAXIMIZE BENEFITS THROUGH COMPLEMENTARY SERVICES AND LINKAGES

Complementary initiatives for income support beneficiaries are integral part of Government's income support program, executed by BISP²⁰⁸. This includes delivery of complementary initiatives directly by BISP and facilitation support to improve BISP beneficiaries' access to complementary services. World Bank, through its The World Bank Program for Results supports BIPS in improving "access to complementary services, including consolidation and expansion of the WeT program and facilitating beneficiary access to complementary social and productive services". The WB program aims to "improve beneficiaries' access to complementary services with the ultimate goal of providing the poor with opportunities to achieve self-sufficiency over the longer run"²⁰⁹.

Over the time, BISP started some complimentary support programs with key objective of human capital accumulation. Conditional cash transfer initiatives have been linked to other complimentary programs like Waseela-e-Taleem (WeT), Waseela e Rozgar (WeR) and Waseela-e-Sehat (WeS)²¹⁰. Through these complimentary programs, the Government of Pakistan aims to enhance human development along with striving to meet the sustainable developments, to which Pakistan has committed under international conventions.²¹¹ BISP beneficiaries are already participating in other complementary services programs

²⁰⁶ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>.

²⁰⁷ "BISP-RSPN Waseela-e-Taleem | RSPN." <http://www.rspn.org/index.php/current-projects/bisp-rspn-waseela-e-taleem/>.

²⁰⁸ The other two components are (a) the basic cash transfer program, (b) the WeT program to incentivize primary school enrolment of BISP beneficiary families' children

²⁰⁹ Progress indicator is "Number of BISP beneficiary households with at least one member enrolled in at least one complementary social or productive service"

²¹⁰ <http://bisp.gov.pk/service/complementary-initiatives-story/>

²¹¹ Apart from BISP, provincial governments started and financed additional social protection programs. The coordination and linkages between BISP and other social protection programs can impact more significantly and sustainably. The linkages across the programs and agencies in the context of BISP will increase women empowerment and improved health and education outcomes of the beneficiaries of the all social protection programs in Pakistan.

wherein highest participation is in microfinance programs with about 100,000 BISP beneficiaries availing services²¹².

Technical assessment published under The World Bank Program for Results WB(2017)²¹³, concludes that:

“Currently, most of the collaboration between BISP and complementary service providers is ad hoc. Some agencies use the data in the NSER to target their interventions, although in many cases, the cutoff scores for eligibility differ from BISP. BISP has an understanding with 10 service providers to periodically receive beneficiary enrollment and identification information to compare with the BISP beneficiary data. In a few cases, information on the location of the BISP beneficiaries and the operations of providers is shared. BISP has one such MoU with an agency providing productive services, but it lacks targets and specific measures for promoting access”.

6.2.1 BISP Linkages Between Existing and Planned Livelihoods

BISP has linkages between the program and existing and planned livelihoods, but at a moderate level. There is a lot of margin to strengthen these links.

Conditional and unconditional cash transfer programs provide beneficial impacts on socio economic development of BISP beneficiaries. This is done by developing linkages with partner organizations. In this regard, BISP has signed National Social Protection programs (NSPP) with World Bank in 2017. So, complimentary initiative wing is in authority to implement all activities which are committed under NSPP. The main objective of the partnership was to extend complementary and productive activities among beneficiaries to build up their adaptive capacity. Over 100,000 beneficiaries of BISP are participating in other social programs relevant to micro financing (World Bank, 2017). A brief description of partnership of complimentary wing and some organizations is given as follows.

- Collaboration and coordination between BISP and other service providing agencies is not permanent, and it is merely on ad hoc basis [World Bank 2017]. However, BISP has planned to have more proactive and systematic coordination from ad hoc arrangement. The program is quite keen to strengthen its capacity regarding collaboration with other programs to provide complimentary services to targeted families.
- Punjab Rural Support Program (PRSP) and Sindh Rural Support Program (SRSP) are providing micro financing loans to 3606 and 1667 BISP beneficiaries respectively. Similarly, 766 and 905 BISP beneficiaries are receiving micro finance loans from Balochistan Rural Support Program (BRSP) and Azad Kashmir Rural Support Program (ARSP) respectively.
- Other service providing agencies including NAVTTC Pakistan, TEVTA Punjab, Trust for History Art & Architecture Pakistan (THAP), Indus Heritage Trust (IHT), Motorway Police and Aik Hunar Aik Nagar (AHAN) have collaboration and coordination to provide vocational training to BISP beneficiaries.
- Akhuwat, providing interest free microfinance, has signed agreement with BISP in 2015 to extend its services under PM Interest Free Loan Scheme to 34000 BISP beneficiaries.

Evidence from developing countries illustrates that increasing the linkages and coordination across the programs and public and private agencies enhance performance of social protection programs.

²¹² See appendix B for participation of BISP beneficiaries in complementary services/programs

²¹³ Pakistan National Social Protection Program-for-Results, Technical Assessment (2017), World Bank

- Louis Burger has signed agreement with BISP to provide loans to youth to start any livelihood activity.
- Nestle Pakistan would provide training to BISP beneficiaries as Nestle sales agents
- Uber Pakistan has signed agreement with BISP on March 30, 2018 to provide Rickshaws to female beneficiaries.
- Acid Supervisors Foundations has been providing training to BISP community leaders for gender equality and women empowerment since March 29, 2018.
- Indus Heritage Trust is to provide training and skill development programs to the BISP beneficiaries.
- NRSP has signed agreement with BISP on March 19, 2018 to create self-employment related opportunities for 100,000 beneficiaries.

In addition to above mentioned organizations, BISP has linkages with Rural Support Programs (RSP), Chal Foundation, Thar Foundation, Children Global Network Pakistan, Red Crescent, Moawin Foundation, and some other organizations. The objective of collaboration and linkages is to graduate BISP beneficiaries to make them skillful and enhancing employment activities so that poor households may get out of severe poverty.

Figure 16 provides a view of the organizations and some programs which have collaboration with BISP.

Figure 16: Programs and Agencies Collaboration with BISP²¹⁴



It is evident that BISP collaboration with complementary services providers is mainly limited to microfinance and skills development sector. BISP does not have direct linkages with many other social protection programs launched by federal and provincial governments e.g. Prime Minister National Health Program, Watan Card, Punjab Kissan and Imdadi Package, Public Works Program, People’s Rozgar Schemes, and other social protection programs.

Nonetheless, there may be reverse linkages. Majority of these programs use the data and information from BISP- National Socioeconomic Registry [NSER] database to identify the poor and needy households. Moreover, BISP encompasses its territorial presence with institutional structure that is helpful in providing collaboration and support at local level in country²¹⁵. Mainly running on ad hoc bases, there is no clearly outlined and well-designed objective and scope of coordination.

²¹⁴ "CI Partnership Development – Benazir Income Support Programme." <http://bisp.gov.pk/ci-partnership-development/>.

²¹⁵ NSER is a census type household dataset which comprises information of over 27 million households. NSER provides a common platform which is being used by other social protection programs, and it plays important role to share its experience in designing social safety nets and extending outreach for deserving people.

However, BISP plans to ensure participation of 500,000 beneficiary families in complementary productive or social services through collaborating with programs covering health insurance, social assistance, disability services, livelihoods, self-employment, rural development, and youth skill development.

6.2.2 Complementary Mechanisms to Promote Asset Accumulation and Investment

Promotion of asset accumulation and investment might exist by design but these mechanisms don't seem to be effective. There is mixed evidence on it. Significant asset accumulation impact is documented for livestock and sewing machines.

A study in 2014 suggested that "The BISP does not increase the likelihood of owning assets such as land and livestock". But the follow up study in 2016²¹⁶ concluded that "BISP has had a positive and statistically significant impact on the proportion of households that own certain types of small livestock including sheep and goats for beneficiary households in the RD treatment sample. This finding is significant given that livestock is both a productive investment, but also a store of value in the context of households with low financial access²¹⁷".

Evidence from 2016 final impact evaluation of BISP further suggests that "BISP has had a positive and statistically significant impact on the proportion who have some form of savings". Similarly, qualitative analysis suggests improve investments in "livestock" in BISP beneficiary households. The evaluation further concludes that "we find some evidence of preferential investments for boys, particularly when finance of education is a constraint" which has implications for women empowerment. In the long run, education is asset accumulated in the form of human capital.²¹⁸

On the design side however, BISP, despite being it unconditional cash transfer program, has some complementary initiative which may be helpful in accumulating assets like human capital in the long run. These include services designed to assist BISP beneficiaries in health and education outcomes, skill development, and financial inclusion. Some important complementary programs are Waseela-e-Rozgar, Waseela-e-Haq, Waseela-e-Sehat and Graduation Business Incubation for Self Employment (BISE).

Specifically, Waseela-Haq is designed to improve adaptive capacity of the poor by promoting productive asset accumulation and investment. The mechanism of this program is to provide interest free loans to the poor families up to Rs. 300,000 in two or three installments. Deserving families are selected randomly from BISP beneficiaries. Disbursed amount of loan is meant for establishing business which would help the poor to move out of the poverty trap. For this initiative, an amount of PKR 2205 million has been distributed among 13455 BISP beneficiaries.

Waseela-Haq comprises various types of business and entrepreneur activities as estimates indicate that 49% beneficiaries are engaged in livestock and dairy farming business, 23% beneficiaries of the programs started general store business, and 23% are found investing in Rickshaws, while remaining 26% beneficiaries of Waseela-Haq invested in other various types such as cloth shops, tailoring shops, welding and atta chakki etc. are the activities wherein disbursed amount was spent by recipient. This initiative was abandoned by BISP Board in 2013 on the recommendations given by management due to weak design and implementation, poor recovery of loans and monitoring system.

²¹⁶<https://www.opml.co.uk/files/Publications/7328-evaluating-pakistans-flagship-social-protection-programme-bisp/bisp-final-impact-evaluation-report.pdf?noredirect=1>

²¹⁷ The findings from 2014 may be due to the small value of transfers. These transfers may smooth household's routine consumption but fail to add to capacity to accumulative productive assets such as land, livestock and other saving tools.

²¹⁸ Again, I'll submit dissent here. "Higher investment in education means lower future poverty", as is the common take, is not true unconditionally. This needs to be adjusted for social mobility indicators in Pakistan.

However, currently BISP changed its strategy to extend micro-finance to the deserving families with the collaboration of public sector organizations and NGOs such as Pakistan Poverty Alleviation Fund (PPAF), Akhuwat Foundations, and Prime Minister Interest Free Loan Scheme [see figure 1]. With the help of these collaborations, private and public organizations are providing microfinance loans to BISP beneficiaries (women) to launch their own business and entrepreneur activity.

6.2.3 Linkages To Community-level Programs

There is some evidence of community programs using BISP's NSER, although no meaningful linkages were found in terms of BISP benefiting existing infrastructure of community and self-help programs.

BISP extends its linkages to the community level programs by providing access to the NSER dataset which enables organizations to collect the information of socioeconomic characteristics of the households to identify the eligible households or individuals. However, direct coordination has been started by integrating the Akhuwat foundation, Pakistan Poverty Alleviation Fund (PPAF), and Public Work Programs related to micro-financing and employment generation. Complimentary programs such as Waseela-e-Rozgar and Waseela-e-Haq are directly collaborating with community and private organization. Nevertheless, a little work is done with purely community-based programs especially with self-help programs.

However, some private organizations such as ASER, Aurat Foundation, and Kashaf Foundations, and Rural Support Programs (RSP), Chal Foundation, Thar Foundation, Children Global Network Pakistan, Red Crescent, Moawin Foundation, and some other organizations are enhancing the outreach of BISP to obtain women empowerment, health and education outcomes, and provision of social assistance to vulnerable people.

6.2.4 Facilitating Linkages Through Digital Data

No clear evidence available on use of digital data to facilitate linkages and referrals and empower participants and frontline workers. Most of the digital data use is limited to providing improved payment system. Nonetheless, BISP's NRES is facilitating referrals and beneficiary selection for other social safety programs as well.

BISP has very extensive and comprehensive infrastructure and system which can be used by other programs as well. In future, BISP has planned to use the system of biometric verification through Easy Paisa, Mobi Cash or other company to deliver the cash transfer amount.

Second and final impact evaluation [2015 & 2016] do not even uses the word "digital" while first impact evaluation [2014] uses the word as "child using a digital scale". Similarly, final impact evaluation uses word "mobile technology" once while first and second impact evaluations do not use the word at all^{219,220}.

6.2.5 Lack of Human Contact and Linkages

The evidence with regards to impact of lack of human contact on linkages with complementary services suggests that "techno-utopian" are not perfect and need a proper harnessing sensitive to local context. Overuse of any has its own gains and pains. Given the nature of program and intended beneficiaries, a threshold level of human contact shall be required. Falling below this may create inefficiencies.

²¹⁹ Oxford Policy Management impact evaluation reports [online versions] 2014, 2015 and 2016

The role of middlemen or intermediaries in cash transfer delivery still exists in Sindh which causes problems regarding transparency of amount delivery to the actual deserving households. Elimination of the middleman role will improve the efficiency of the unconditional cash transfer. However, human contact to extend the complimentary services is important because Waseela-e-Rozgar which is vocational training and skill development program, and Waseela-e-Haq (micro-financing programs), Waseela-e-Sehat (health insurance), Waseela-e-Taleem (primary school enrollment programs) are important to human capital accumulation among the beneficiaries. These programs are being worked with collaboration and coordination of NGOs and communities involvement, hence, the reduction of human contact may reduce the linkages to the complimentary support and services.

The adoption of technology reduced the transaction costs of the worker and beneficiaries. During initial phases of the BISP, funds were distributed to beneficiaries through Money Orders delivered by the postman. This mechanism involves some problems such as misappropriation of funds, risk of ghost workers and beneficiary, and it compelled the beneficiaries to travel to the postman or post offices when posts offices and postmen refused to deliver it doorstep. Keeping in view these issues someone can think how much cost-ineffectiveness prevails. The introduction of the digital technology with the passage of time reduced the ineffectiveness in terms impacts and cost faced by benefices and BISP as well.

6.2.6 Need For Coordinations Across Programs To Enhance Effectiveness

The use of GPS, biometric machines, computerized system of databank helps, and access of NSER has helped to bridge up gaps between different stakeholders and brings efficiency in cash transfer and collaboration among the different social protection programs other than BISP. However, the coordination and integration between BISP and these programs remains weak and mostly ad hoc [WB, 2017]²²¹.

However, a comprehensive coordination and interlinkages across programs and agencies are required which may fill the gaps that can increase the effectiveness of programs. Because, BISP encompasses some following stumbling blocks to promote coordination and linkages. BISP does not have a specific section which may deal the issues regarding coordination and interlinkages across other programs and agencies. Furthermore, World Bank (2017) identified that the capacity of human resource of program is limited. BISP has ad hoc coordination with other programs and agencies. It does not have complete integration. However, it has well-organized infrastructure and has become an institution, whereas no other social protection program has such rich infrastructure. In spite of extensive infrastructure, encouraging level of integration and coordination beyond this program is missing.

Lack of comprehensive and strategic approach to link complementary services with other programs and agencies raises some questions. For instance, which agencies would deliver the services? How should results be monitored? And similarly, governance related to program is also questioned (World Bank, 2017).

The program [BISP] does not have well-defined operational structure regarding responsibilities of at administrative levels. BISP staff. Provincial and regional staff is helpful in enhancing linkages to other programs but owing to lack of skill and training, BISP is not reaping efficient outcomes at local level.

The coordination with provincial governments and education sector is missing. A technical report released by World Bank (2017) highlighted this issue. The implementation of Waseela-e-Taleem program requires a

²²¹ A growing body of literature is also suggestive that a widespread integration and adoption of digital technology causes reduction in transaction costs, increases the exchange of information, improved delivery of service and cash transfer, and opening more avenues to extend complimentary services to the deserving people in developing countries [i.e. World Bank (2016); Handayani *et al* (2017); FAO (2018)].

mechanism for coordination with local and provincial governments and education sector. Although government has initiated it but lot of work is to done on it.

A number of targeted households are not able to use ATM machines, and other digital means of cash transfers in Pakistan. Therefore, training and awareness can be extended to beneficiaries through sub-offices at tehsil level.

BISP does not form comprehensive and exhaustive monitoring and evaluation procedure to enhance coordination among agencies and programs.

To achieve effective and beneficial impacts of social protection programs through coordination of BISP and other programs required political consensus and will from all stakeholders.

6.2.7 Integrated Social Registry

BISP has a dataset known as National Socio-Economic Registry (NSER), as covered in Section 6.1.1. This registry is employed by other organizations - both government and private - to identify eligible for respective. Currently this dataset is being used for unconditional cash transfer, and other agencies and programs e.g. PM Interest Free Loan Scheme, Public Works Program, Akhuwat Foundations, Pakistan Alleviation Fund (PPAF), Prime Minister's Health insurance Scheme, Punjab Khidmat Card, Punjab Local Government Department, Khyber Pakhtunkwa Insaf Card, Balochistan Food Department for Food Subsidy, and Sindh Finance and Sindh Education Department, and other organizations employ the NSER data to target the poor.

However, the coordination and integration between BISP and these programs remains weak and mostly ad hoc. In addition to this, NSER is being used by researchers to conduct impact evaluation, data analysis, students of higher education for publication and thesis, and research for effective decision-making.

6.2.8 Responsibility of Linkages

BISP has a special “Complementary Initiatives (CI) Wing”²²². It aims to ensure sustainable impact of cash transfer on uptake of education and health services, nutrition outcomes, and for improving livelihoods to increase the potential of graduation of BISP beneficiaries from poverty. Global experience suggests that where programmes are combined with complementary, well-sequenced interventions, they have greater potential of graduation of beneficiaries. The program has complementary components, including WeT, E-Commerce, Payment Complaint Management System (PCMS) etc.

6.3 MITIGATE ADVERSE EFFECTS

BISP’s mandate at present is that of income support. Any financial inclusion that happens is a byproduct of this, and not a primary goal of the program. As a result, there are conditions attached to the beneficiary accounts that limit its usage²²³.

The account is a limited mandate account. Beneficiary women can only withdraw cash through it. No deposit transactions can take place. The only entity authorized to deposit funds to these accounts is BISP itself. A major reason for this restriction is reconciliation. If there are multiple transactions occurring through the account, it will be impossible to deduce whether the funds withdrawn were the ones deposited by BISP. Another reason is to protect the beneficiaries. Since financial literacy is very limited and these women are not aware of how to operate their accounts, they are prone to exploitation. Their accounts can be used for illegal activities without them knowing.

²²² <http://bisp.gov.pk/who-we-are/#ci-wing>

²²³ Meeting with BISP Payments team, November 2018

The aim of protecting the beneficiaries also deters savings in the account. Cash out at agent POS cannot be partial. It has to be the full amount. This restriction is in place so women get their full amount, and are not defrauded by the agents. If they cash out partially, the agent would be able to keep the rest for himself without the beneficiary being aware. Unless beneficiaries become financially aware to the extent that they know how the fraudulent activities might take place, giving access to accounts with complete functionality will have unfavorable consequences.

Onboarding process for BISP is very efficient. The NSER reaches out to every household in the country to survey their economic status and enroll beneficiaries. All 5.7 million beneficiaries have their own LMA-2 accounts and no active onboarding in underway.

Anecdotal evidence from the field actually shows positive effects on women and breaks gender stereotypes, instead of having any adverse effects. Indicators like women's agency, decision making etc. have improved, as discussed in the section of beneficiary profile.

PART III: Cross-Cutting Themes

7. HUMAN RESOURCE CAPACITY, MANAGEMENT, & STRATEGY

BISP's operational structure is centralized. In addition to the headquarters in Islamabad, there are 6 regional offices, 33 divisional offices, and 383 tehsil offices²²⁴. Overall, the BISP staff has adequate qualifications and experience to deliver the roles and responsibilities. There is no significant deviation from assigned roles observed. However, the capacity for service delivery of the program needs to be considerably enhanced as it takes new initiatives and expands existing ones to more regions.

BISP Tehsil offices are the frontline for program operations but face capacity constraints and have inadequate service delivery procedures and standards²²⁵. The number of staff in field offices, for example, should be proportional to factors like workload and number of beneficiaries in the locality, instead of being standard for all offices. There are approved tehsil offices or staff positions that have not been filled. Coordination with local government also needs strengthening and more formal structuring.

BISP has a Social Mobilization Manual and related guidelines that focus on Waseela-e-Taleem, but at the field level, human resource and financial capacity prevents proper implementation of what has been envisioned in the documents. Further, BISP does not have the institutional capacity to steer the social mobilization process to achieve improved inclusion of beneficiaries²²⁶. This institutional capacity building is essential if BISP aims to use the social mobilization process effectively.

BISP office locations need to be planned on density of beneficiaries in a district²²⁷. For example, BISP office in Thatta deals with beneficiaries located in village Keti Bandar that is 120 km away. This situation creates room for third entities to appear and take money from women offering to represent them at BISP office located far from them. Physical geography of the region may also make mobility an issue not only for the beneficiaries but also for BISP staff and mobilizing agency. Administratively the area may be taken as a single unit but it may have several villages located far and wide making service delivery truly challenging.

Capacity building is also required to address possible tensions arising from inadequate crowd management at district offices. BISP staff are inadequate in number to deal with the volume of demand. Offices need to be properly equipped for program management and safety, as well as to serve beneficiaries who often travel long distances to get there. In Balochistan, several beneficiaries often travel for miles to reach BISP office for registering themselves in the program²²⁸. The staff checks their status in poverty survey and informs them accordingly. People who are refused often become hostile and use abusive language with BISP staff. Women there also complained of lack of empathy and support from BISP staff. In Thatta, BISP office receives five hundred visitors per day. However, only a fixed number of tokens can be issued. This gives rise to unrest and people suspect BISP for being unfair or indulging in favoritism when the real issue is lack of capacity to cater to the beneficiaries.

²²⁴ "BISP Technical Assessment, 53 pages - The World Bank Documents." 31 Mar. 2017, <http://documents.worldbank.org/curated/en/111621489672698369/pdf/113568-FSA-PUBLIC-P158643-Pakistan-National-Social-Protection-PforR-Technical-Assessment.pdf>.

²²⁵ "BISP Environmental and Social Systems Assessment (ESSA), Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>.

²²⁶ Ibid

²²⁷ Ibid

²²⁸ Ibid

The working conditions should also be improved with appropriate logistics and facilities. There should be greater recruitment of female staff in BISP field offices as beneficiaries will feel more comfortable in their interactions with BISP offices.

To cater to the need for continued training, BISP prepared a comprehensive Annual Training Plan in 2017 for staff at its headquarters as well as in the field offices. Even though there have been no update on the annual plan since, some training workshops do occur once in a while to improve performance of its regional staff²²⁹. In October 2018, BISP's Regional Director of AJK stressed upon the need for trainings and capacity building of the staff. He said that headquarter is focusing on improving functions of its staff in regional areas to ensure better skills and administrative efficiency while discharging their duties²³⁰.

Women centric service delivery

ESSA report by World Bank²³¹ notes that it is important to increase number of women representation in BISP offices and provide safe working environments to them. This can greatly strengthen the successful implementation of complementary programs particularly related to women's' health issues.

8. VALUE PROPOSITION

Government

BISP is the largest safety net program of Pakistan and the government is banking on this experience to initiate new programs within BISP to tackle major challenges among the poor class of Pakistan. These initiative are focused towards health, education and opportunities to alleviate the poverty sector. BISP is now a decade old program and has evolved over time making necessary corrections in the its core functions and processes. Secondly, with an improved MIS system BISP has the potential to become a single point of contact for any initiative which involve socioeconomic registry data, and this is their vision as well. BISP program is important from the political standpoint as well with a large group of voters i.e. 5.7 million beneficiaries.

FSPs

The large sums of money transferred to beneficiary accounts earn the banking partners considerable float. In addition, they are also paid service charges and are given monopoly for BISP payments in the regions they have been contracted for.

Beneficiaries

Beneficiaries are getting much needed financial support through BISP. The program targets the poorest of the poor who are prone to economic shocks, and the grant provides them just enough extra income to protect against chronic and transient poverty.

²²⁹ "A Three-day Training Workshop Of Benazir Income ... - UrduPoint.com." 8 Nov. 2018, <https://www.urdupoint.com/en/pakistan/a-three-day-training-workshop-of-benazir-inco-475899.html>.

²³⁰ "BISP To Hold Capacity Building Training Workshops - UrduPoint." 30 Oct. 2018, <https://www.urdupoint.com/en/kashmir/bisp-to-hold-capacity-building-training-works-468805.html>.

²³¹ "Pakistan National Social Protection Program, Environmental and Social Systems Assessment (ESSA), Final Report, page 67 - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>

9. SERVICE LEVEL AGREEMENTS (SLAS)

The main points of penalties with regards to performance given in SLAs as per the existing agreement with payment service providers are extracted from a meeting with BISP's Payments team and are listed below. Since actual contracts have not been shared yet, there is no further information available at the moment.

- The amount has to be disbursed within 5 days
- For every 1000 beneficiary, there should be 1 agent
- If there is no agent in a certain area, assign an agent in X days
- The fixed timeframe for complaint resolution e.g. card replacement
- Data reporting of transferring of funds from LMA1 to LMA 2 within 48 hours.

There are conditions in the contract on BISP's end that are not being met too. E.g. float for banks was supposed to be one month not 5 days, enrollment was supposed to just be 3 months but is still ongoing, cost of BVS was not included in contracts.

Improved and more strict **SLAs** are being proposed (see [Annex I](#)) in the NPM of BISP and these will be made part of the new agreements during the implementation of NPM.

10. COMMUNICATION

The Communication, Media & Outreach department was formally set up by redesignating roles at BISP in early 2018²³². The scope of the department is to lead, communicate and provide oversight. It is connected with every wing, and provides them with a specialized strategy for their needs. The program's media campaigns were halted for years due to an investigation on breaking guidelines in place for executing government campaigns. They ban has recently been lifted after much lobbying by this new department.

BISP relies heavily on print media. It targets newspapers that have strong readership in the regions they want to run a campaign, regardless of whether that paper has a readership elsewhere. They have details of which medium has the widest reach in which areas, and plan their campaigns accordingly. For example, Mianwali Express is a local newspaper that is widely read in the Mianwali district, but nowhere else. It is their preferred paper when they have to target Mianwali. Thus, their campaigns are heavily tailored according to the region they are executed in. BISP also has regional offices with resources that can be mobilized whenever needed for a campaign. Deployment of all Below The Line material like posters and flyers is the responsibility of the regional staff. However, a coordination gap exists between the department sitting in the head office in Islamabad and the regional offices. As a result, the resources are not efficiently utilized at present. ESSA²³³ report by World Bank notes that BISP field offices have no Social Mobilization coordinator and BISP staff is not trained for community engagement, social mobilization and community development.

Electronic Media, specifically TV channels, charge the government several times the money they charge corporations. Slots that cost a few thousand rupees for corporations can cost up to 6 lacs for the government. The new government has placed a complete ban on government ads on television, until channels agree to

²³² Meeting with BISP Communication, Media & Outreach Department, November 2018

²³³ "Pakistan National Social Protection Program, Environmental and Social Systems Assessment (ESSA), Final Report, page 67 - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>

reasonably lower their rates. TV was not a medium of focus for BISP before this either, and now it has completely stopped.

There is no other form of direct communication with the beneficiaries. This is evident also from the fact that when the quarterly grant amount was recently increased from Rs.4800 to Rs.5000, posters were put up at POS locations in hope the beneficiaries will see them. Word-of-mouth is still the strongest means for beneficiaries to get any updates on payment changes, timing etc. Benazir Beneficiary Committees (BBCs) were set up on the basis of collective action theory to communicate with beneficiaries. However, they were meant specifically for Conditional Cash Transfer like Waseela-e-Taleem.

A lot of times, the department is given very short deadlines of 2-3 days for critical work. This results in a compromise on quality of campaigns produced. Other times, some campaigns are ready to launch after weeks of work but are terminated at the last moment by higher ups.

The department has streamlined the IVR helpline and added new languages to it so more beneficiaries are able to interact. Madadgar Centers that are intended specially to assist beneficiaries in their complaints are in the process of being set up across the country in coordination with this department.

Email and quarterly newsletters are the primary means of communication with stakeholders. Newsletters are designed in-house to save on cost and are then sent to donors, NGOs, embassies, diplomats, ministers etc. The purpose of this newsletter is to share beneficiary success stories, activities of bisp, updates on new initiatives and expansions, MoUs etc. Each wing of BISP is asked to contribute to the newsletter.

The Chairperson of BISP was also changed from Marvi Memon to Sania Nishtar after the general elections. The new chairperson wants to use the resources more for research, and want minimum resources for maximum impact when it comes to communication. This is in line with the communication department's own vision too.

11. ROBUSTNESS

BISP is an autonomous authority approved by the parliament in 2010 through an Act that defines its objectives, governance structure, and key responsibilities of the BISP Board and management. The program is headed by a Chairperson along with a Board consisting of 11 members from both the public and private sectors, appointed for 3 years²³⁴. The Chairperson provides strategic guidance and ensures implementation of the program according to the decisions of the Board.

As it functions as an autonomous authority, BISP receives a single line budget from the government with the flexibility of allocating resources - for core initiatives as well as administrative costs - in any way the program deems fit to ensure quality and consistent improvements in implementation. The Board not only approves the detailed budget allocation submitted by the BISP management, but also decides on any other financial aspects of the program. It also makes regulations and approves policies and eligibility criteria for the program. This results in BISP not only being able to make necessary revisions and adjustments when required, but also carry it out in an accountable, systematic manner.

The expansion of BISP is consistently accompanied by development of building blocks of a robust safety net system²³⁵. The most important of these is the National Socio-Economic Registry (NSER) explained under the

²³⁴ "BISP Technical Assessment, 53 pages - The World Bank Documents." 31 Mar. 2017, <http://documents.worldbank.org/curated/en/111621489672698369/pdf/113568-FSA-PUBLIC-P158643-Pakistan-National-Social-Protection-PforR-Technical-Assessment.pdf>. Accessed 5 Dec. 2018.

²³⁵ Ibid

Eligibility & Targeting section of the Design criteria. As a result, its performance is at par with with similar programs in the world. Enrollment in the program is based on eligibility verification from the NSER and biometric verification from NADRA. BISP has strengthened the transparency of its operations by implementing technology-based payment and grievance redressal systems. BISP has strengthened the transparency of its operations by implementing technology-based payment and grievance redressal systems. A management information system (MIS) supports program administration, whereas regular process and impact evaluations strengthen accountability.

The biggest evidence of the program's commitment to finding ways to make the scheme work is the evolution of payment mechanisms discussed in the Digitize section. BISP is constantly working to improve its service delivery to the beneficiaries, and as such frequently upgrades to the most effective and efficient technological and administrative means of giving beneficiaries access to their grant.

12. PROGRAM MONITORING, MEASUREMENT AND EVALUATION

BISP has a dedicated M&E wing responsible for devising and guiding the overall program evaluation strategy and the implementation of related activities. Information on program outcomes drawn from a multiyear third party impact evaluation has been shared publicly. While sufficient program monitoring data is produced upon request, more regular and standardized reporting needs to be made available to be public. A detailed plan was prepared in consultation with World Bank for the period 2017-2021. At least 8 monitoring indicators are in place, and the frequency of measurement are quarterly, biannual and annual. The table below provides the monitoring plan till 2021.

Table 16: Monitoring & Evaluation Plan (2017-21)

	Indicators	Unit of Measure	Baseline	Frequency	Data Source/ Methodology	Responsibility for Data Collection
1	Number of households with updated/new poverty scorecard information in NSER	Millions	0.00	Biannual	BISP NSER database	BISP
2	NSER dynamic update mechanism designed and piloted	Yes/No	No	Annual	Operational Manual and guidelines. Operations Review report	BISP
3	Number of female beneficiaries trained on financial literacy module	Thousands	5.00	Annual	BISP Progress Reports. Training Provider Reports	BISP; Training Provider
4	Percentage of BISP beneficiary accounts credited within 15 days of the stipulated pay period	%	80.00	Quarterly	PSP Reconciliation Reports; BISP Quarterly Payments Reports; BISP MIS Reports	BISP, PSP
5	Percentage of <i>tehsil</i> offices staffed in accordance with redefined responsibilities	%	0.00	Annual	<i>Tehsil</i> office resource allocation plan	BISP
6	Percentage of WeT grievance redress claims settled within 3 months	%	60.00	Quarterly	BISP MIS report	BISP
7	Percentage of NSER update grievances settled within 3 months	%	0.00	Quarterly	BISP MIS report	BISP
8	Number of districts implementing WeT program	Number	32.00	Quarterly	WeT budget; Provincial Agreements; Supply Capacity Assessment Report; Expansion Plan Report; Contractual Agreements with implementing partners	BISP

ANNEX

ANNEX I

Money Orders

It started from disbursing grants to its beneficiaries through Pakistan Post using Money Order system in 2008, because at that time this was the only service available which had a reach throughout Pakistan. This mode of payment ensure doorstep delivery which is a preferred mode of payment by the kind of persona it serves but this convenience comes with a cost attached to it in forms of bribe (*bakhseesh/commissions*) taken by the postman, another problem was that anyone at her address could receive the money order, not just this there were a number of reported cases of corruption by postmen who just pocketed the money. This mode was not scalable and was less transparent as it requires 3 month time for any kind of visibility and reporting of the payments. This became a huge barrier in the way of complaint redressal and reconciliation of the grant payments.²³⁶

Digitizing BISP payments: Pilot Projects

These complaints regarding Pakistan post payment system compelled BISP to shift to other payment mechanism involving banks and telcos this time and pilot digital payments. By December 2010 BISP partnered up with UBL (United Bank Limited) and Telenor to pilot “Smart Card Payment Dispersal System” and “Mobile Banking Payment Mechanism” respectively in 9 different districts of Pakistan. Benazir Smart Card was like an ATM card and beneficiaries used it to withdraw cash from BISP designated franchises by showing their ID cards and signing a receipt. PKR 12.89 billion were disbursed from 2010 - 2016 through Smart Cards to almost 170,000 beneficiaries. Mobile sets and sim cards were issued to test the Mobile Banking Payment System pilot. The beneficiaries received an IVR call notifying her of the payment and a text message confirming the PIN to be used to withdraw cash from the franchise. She was asked to present the ID card and sign the receipt. PKR 10 billion were disbursed to almost 135,000 beneficiaries from 2010 - 2016.

Money order to ATM cards

In February 2012, BISP signed agreements with 6 banks to cover larger part of Pakistan and disburse grant money via non personalised debit cards using ATM machines throughout the country. This was a major changeover for all the beneficiaries, except the pilot districts, to shift from money orders to Benazir Debit Cards (BDCs). BISP was now transferring the money to the bank designated for a certain number of districts and the beneficiaries from those districts were using bank’s ATM machines to draw out cash. BDC remain the largest mode of cash transfer until 2017 serving almost 90% of the 5.7 million beneficiaries.^{237 238}

ATMs, not for her

All of these new payment mechanisms were a step towards digitizing of payment systems which were better systems of those time the only problem was that these systems did not took into consideration level of

²³⁶ HCD Study, Biometric Based Cash Withdrawals, Karandaaz

²³⁷ "(PDF) Mobile Banking for Financial Inclusion in Pakistan - ResearchGate." 4 Apr. 2016, https://www.researchgate.net/publication/299604739_Mobile_Banking_for_Financial_Inclusion_in_Pakistan. Accessed 27 Nov. 2018.

²³⁸ "Cash Grant – Benazir Income Support Programme." <http://bisp.gov.pk/cash-grant/>. Accessed 27 Nov. 2018.

understanding of basic financial literacy, numeracy, and agency of the user it was supposed to serve i.e. beneficiary. This became one of the reason for a number of reported and unreported cases of corruption and frauds. As per survey conducted and reported by a G2P report 2015, only 37% BISP related transactions were conducted by women alone while an additional 16% of women performed transactions accompanied by another person or group. 36% of the transactions were conducted by men alone (on behalf of women) and an additional 11% were conducted by men while they accompanied another person or group.²³⁹ This clearly shows that most of the beneficiaries needed help from a third party to operate ATMs and thus a need for commissions and undue service fees.

"Women conducted just over half the transactions in a program ostensibly targeted at women. In addition, in all transactions the person who actually carried out the transaction was the agent—it was he who swiped the card and entered the PIN." - G2P Transfers 2015 ²⁴⁰

This loophole in the system also gave rise to the ghost beneficiaries problem since the transaction did not require the presence of the beneficiary anyone with the card can take out the money. The BDC card did not have any unique identifier e.g. beneficiary picture or ID card number and thus it was very easy to make counterfeit cards which personal at ATM machines used to make and replace them while making the transaction for the beneficiary. It was almost impossible to track illegal cash withdrawals using BDCs. Only method was used to take out video log of ATM machine camera. Sometimes the cards were kept with the family members of the beneficiary and the money was withdrawn without her notice. These cards were often mixed up, lost, stolen, and they used to forget the pin code. It took more than 6 months sometimes to get the new card, renew the pin code and re-issue a stolen card. These complaints were handled through local BISP field offices which reported to remain busy throughout the year for such complaints. ²⁴¹ We also cannot ignore the fact that we only have 13,835 ATM²⁴² as of Q3 2018 which certainly is not enough and does not cover all the regions of Pakistan effectively. Since most of the beneficiaries belong to remote areas where the nearest ATM is several kilometers away.

Lack of familiarity with the payment instrument, lack of access to information and inexperience in handling documents also create issues for BDC users. In 35% of the cases that Mott MacDonald and DFID reviewed²⁴³, either the beneficiary had lost, misplaced or damaged the BDC. In 31% of the cases they had lost the PIN. Almost 23% had their cards blocked, and 8% had exchanged it with another card. Card capture by ATMs was reported by 5%.

Biometric Verification System (BVS)

On June 8, 2015 SBP - BPRD (Banking Policy and Regulations Department) issued a circular notice to all banks to verify all the previous accounts biometrically and install all the necessary infrastructure to only open new accounts through biometric verification. These changes should be implemented by 31st December, 2015. ²⁴⁴ Before this, banks were allowed to open accounts without biometric verification. BISP management

²³⁹ "Government to Person Transfers - Center for Financial Inclusion." [https://content.centerforfinancialinclusion.org/wp-content/uploads/sites/2/2018/10/Government to Person Transfers.pdf](https://content.centerforfinancialinclusion.org/wp-content/uploads/sites/2/2018/10/Government%20to%20Person%20Transfers.pdf).

²⁴⁰ "Government to Person Transfers - Center for Financial Inclusion." [https://content.centerforfinancialinclusion.org/wp-content/uploads/sites/2/2018/10/Government to Person Transfers.pdf](https://content.centerforfinancialinclusion.org/wp-content/uploads/sites/2/2018/10/Government%20to%20Person%20Transfers.pdf)

²⁴¹ Ibid

²⁴² "Payment Systems Review - State Bank of Pakistan." 31 Mar. 2018, <http://www.sbp.org.pk/PS/PDF/PS-Review-Q3FY18.pdf>.

²⁴³ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>

²⁴⁴ "BPRD Circular Letter No. - State Bank of Pakistan." 8 Jun. 2015, <http://www.sbp.org.pk/bprd/2015/CL13.htm>

was aware of all the limitations of BDC and they were planning to improve the payment mechanism for beneficiaries which is more transparent, less complicated and ensure the presence of beneficiary at the touchpoint of payment withdrawal. BISP management made to focus on 100% BVS conversion by June 2017 in the pilot areas where the mode of payments were other than BDC and let the partner banks install the BVS at their cash-out points, as they were mandated by State Bank of Pakistan.²⁴⁵ As per data provided by Head of Payment BISP in 2018 we have 72% payment withdrawal through BVS, 27% through BDC and 1% through Pakistan Post. HCD Study on BVS system commissioned by Karandaaz captured the issues, challenges and gaps of BVS in detail. One big challenge was that BVS doesn't work well for older women and those doing hard labor resulting in fading fingerprints. BVS had a substantial impact on first hand reception of grant money by beneficiaries themselves.

The New Payment Model (NPM)

The current BISP payment model has several constraints. Because the standard government procurement rules (PEPRA) were not followed for the current scheme, issues of quality of service and high fee structures have emerged. This non-competitive mechanism entails working with only 6 selected banks for service delivery in non-overlapping, specific geographic territories. Furthermore, other large financial service provider (JazzCash) has deployed an agent network equal in size to EasyPaisa since 2010, however, their services cannot be availed by BISP due to current contract obligations with the existing banks. BISP has no choice to continue to renew the banking contracts, even though concerns around float opportunities for banks keep popping up.

On the basis of lessons learned, best global practices and close consultation with banking partners, Telecom companies, NADRA, 1-LINK, and State Bank of Pakistan, BISP has developed a "New Payment Model".

BISP board approved the New Payment Model in November 2016 although the RFP for the same has not as yet been floated. The model aims at a beneficiary centric payment solution which is easy to use, and access. Comprehensive integration is insured amongst various systems such as beneficiary service (complaint management and resolution etc), accounting (online reconciliation, and reporting) and operations to bring transparency and cost efficiency. Multiple biometrically enabled payment options including ATMs, branches, agents and even doorstep delivery are promoted. The system is designed to eliminate banking floats since the incentivization/commission structure is linked to beneficiary cash-out only. BISP payment partners will be required to issue one time free of cost SIMs to beneficiaries to ensure effective communication.²⁴⁶

According to recent (Nov 2018) discussions with BISP payments department, the **new payment model** has taken into account the recent technological advances in the payment infrastructure of Pakistan. **Improved SLAs** (See Table A) for banks and additional **penalties** have been drafted incorporating stricter quality levels such as **disbursement** of funds within **3 days**, if not, the bank will be penalized by reducing the service charges and reporting non-compliance to SBP by BISP. Further, only those banks can apply for the new RFP who can offer 3 biometric payments distribution channels e.g. for HBL to qualify they will have to use their own agent network Konect, partner with Zong to use their agent network and finally workout a working model with NADRA e-sahulat centers. The requirement for number of payment touch points is being increased under the new model. Each payment partner will be required to put up one touch point for every 250 beneficiaries OR one touch point at a UC Level (whichever is lower)²⁴⁷. The BISP Board (currently

²⁴⁵ "Cash Grant – Benazir Income Support Programme." <http://bisp.gov.pk/cash-grant/>.

²⁴⁶ Ibid

²⁴⁷ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>.

nonfunctional because of lack of full quorum) has been apprised of the proposed changes in the NPM. The RFP shall be floated after the approval from the Board.

The model will also be made **more secure** while keeping it convenient. Use of **biometric authentication** will be made mandatory at the time of registration as well as each disbursement. BISP beneficiaries will be able to perform transaction at any biometric enabled location including bank branches²⁴⁸, ATMs, agent locations and in some cases door to door services. Biometric authentication will ensure 100% transparency as the registered beneficiary will be the only one taking payments. Those beneficiaries who cannot be biometrically verified due to any reason will be allowed alternate method of payment which is through personalized debit cards²⁴⁹.

In **remote areas** where basic mobile communication facilities required for BVS do not exist , like those in **FATA and Balochistan**, beneficiaries will be provided **alternate payment methods**²⁵⁰. Partner banks will be encouraged to provide innovative solutions for such select districts. These these would be treated differently from the mainstream payment model with a different line of reporting and specialized reconciliation procedures, and if needed, different rates of commission will apply.

BISP will host a **centralized system - BISP Payment System** - which will route all biometric authentication requests as well as manage data related to the disbursements, claim settlements, service charge payments, etc. The system will manage all payment related activities, including grievances and complaints. Currently, participating banks are allocated beneficiaries and the amount and service charges are pre-funded. Under the new model, the service charges will be paid after beneficiary has completed her withdrawal. The payment partners will be required to proactively encourage beneficiaries to withdraw funds within 30 days. The payment partner will be required to pay a markup on amounts which are not withdrawn 30 days after the funds were provided by BISP, unless tied to a financial inclusion product which will allow beneficiary's graduation.

BISP currently continues with the **existing payment model**. Significant changes are needed to shift over to new model without impacting the existing cash withdrawals. Further, a bulk payment processing capability is required at BISP does not exist. This could be addressed through the Micro Payments Gateway (*underdevelopment based on LevelOne principles, tentative completion date June 2019*); BISP can offer cash withdrawals through multiple banks. However, it might require a revisit of the Limited Mandate Account policy of one-way cash transfer since other banks will only be interested in BISP disbursements if new product opportunities exist through a Full Mandate Account.

²⁴⁸ Ibid

²⁴⁹ Ibid

²⁵⁰ Ibid

Table A: Key Performance Indicators & Penalties²⁵¹

Area	Key Performance Indicator	Penalty Level
<p>Payment Touch points</p> <p>Numbers of Payment touch points (1 for every 250 beneficiaries OR 1 at each Union Council whichever is lower).</p>	<ul style="list-style-type: none"> • 95% of payment touch points are setup before start of disbursement cycle • 90% of the payment touch points should be active (Active means beneficiaries are able to transact at the touch point) 	<p>Level 5</p> <p>Level 5</p>
Disbursement of Funds in Account	<input type="checkbox"/> Funds must be disbursed in beneficiary account within 3 days of transfer to Bank	<p>Level 5</p> <p>Level 6</p> <p>Level 7</p>
Complaints regarding Liquidity at Agents	<input type="checkbox"/> Payment partner must ensure adequate liquidity, complaints should not exceed 2% of the beneficiary population in allocated area	<p>Level 5</p> <p>Level 6</p> <p>Level 7</p>
Payment Complaints against Agent	<input type="checkbox"/> Individual Agent related complaints should be resolved within 7 working days	<p>Level 1</p> <p>Level 2</p> <p>Level 3</p>
Payment Complaint Redressal	<input type="checkbox"/> 95% of the overall complaints should be resolved within agreed TAT (turn around time)	<p>Level 5</p> <p>Level 6</p> <p>Level 7</p>

²⁵¹ "BISP Environmental and Social Systems Assessment (ESSA) , Final Report - World Bank Documents & Reports." 26 Jan. 2017, <http://documents.worldbank.org/curated/en/524021481797377444/pdf/111016-REVISED-EA-P158643-Box402886B-PUBLIC-Disclosed-2-8-2017.pdf>.

Definition of level of penalties.

Level 1:

Recovery of full payment to beneficiaries for amounts embezzled by Agents at POS locations, Branchless Banking touch point or Doorstep service.

Level 2:

Payment partner will blacklist Franchise/Agent from BISP disbursements forever

Level 3:

Payment partner will suspend Franchise/Agent from BISP disbursements till inquiry is completed

Level 4:

Provision of Alternate payment touch points in case of imposition of Level 1,2,3 penalty

Level 5:

Deductions from Financial Institutions Service Charges; Partial Deductions based on number of beneficiaries per Tehsil or Union Council based on the nature of complaint and ground realities.

Level 6:

Deductions from Financial Institutions Service Charges; Full Deduction based on number of beneficiaries per Tehsil or Union Council based on the nature of complaint and ground realities.

Level 7:

BISP reports non-compliance to State Bank of Pakistan for further legal/disciplinary actions.

ANNEX II

List of the Social Protection Programs That BISP Doesn't Has Active Interlinkages

Pakistan Bait-ul-Maal

1. Pakistan Sweet Homes
2. National Centre for rehabilitation of Child Labor
3. Child Conditional Cash Transfer
4. Institutional Rehabilitation for community-based developments civil society wings
5. Direct relief services in emergencies/ natural calamities
6. Great home
7. Special friends Program

ZAKAT

1. Guzara Allowance
2. Educational Stipend
3. Deeni Madaris
4. Health care
5. Marriage assistance
6. Social welfare and rehabilitation grants
7. Eid-ul-fitr
8. Technical Education stipends

Employees Old Age Benefits Institutions (EOBI)

1. Survivors pension: applicable in case an insured person expires
2. Invalidity pension

Workers Welfare Fund (WWF)

1. Death grant
2. Natural Disasters Grants

Employees social safety institute (ESSI)

5. Punjab ESSI
6. Sindh ESSI
7. KP ESSI
8. Balochistan ESSI

Major Livelihood Programs Working in Pakistan [Other than BISP]

Pakistan Poverty Alleviation Fund

- Program for poverty reduction.
- Livelihood Support and promotion of small community infrastructure program (LACIP).
- Prime Minister's interest free loan Scheme.
- Hydropower and renewable energy project (HRE).

SACHET Pakistan

- SACHET Vocational Training Project.
- Employable Skills for Women in Beauty Care Industry.
- Skills for Market Linkage Project.
- SACHET Gallery.
- Shop for a Cause.

