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EMERGENCY PROJECT PAPER

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 79.5 MILLION
(US\$125 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR A

FLOOD EMERGENCY CASH TRANSFER PROJECT

March 16, 2011

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CURRENCY EQUIVALENTS

(Exchange Rate Effective = February 28, 2011)

Currency Unit = Pakistan Rupees
 PRs. 85.69 = US\$1
 US\$ 1.57305 = SDR 1

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	LIB	Limited International Bidding
AJK	Azad Jammu Kashmir	McRAM	Multi-Cluster Rapid Humanitarian Needs Assessment
ATM	Automatic Teller Machine	MIS	Management Information System
BISP	Benazir Income Support Programme	MoU	Memorandum of Understanding
CCI	Council of Common Interest	NCB	National Competitive Bidding
CCT	Conditional Cash Transfers	NDMA	National Disaster Management Authority
CD	Cabinet Division	NGO	Non-Governmental Organization
CDCP	Citizens Damage Compensation Program	NODMC	National Oversight Disaster Management Council
CNIC	Computerized National Identity Card	ORAF	Operational Risk Assessment Framework
CPS	Country Partnership Strategy	PDMA	Provincial Disaster Management Authority
CQS	Selection based on Consultants Qualifications	PDO	Project Development Objectives
DA	Designated Accounts	PIC	Public Information Campaign
DCO	District Coordination Officer	PKR	Pakistan Rupee
DFID	Department for International Development	PIFRA	Project to Improve Financial Reporting and Auditing
ERC	Emergency Relief Cell	POS	Point of Sale
ESSAF	Environmental and Social Screening Assessment Framework	PPAF	Pakistan Poverty Alleviation Fund
FATA	Federally Administered Tribal Area	PSLM	Pakistan Social and Living Standards Measurement Survey
FAO	Food and Agricultural Organization	QBS	Quality Based Selection
FBS	Fixed Budget Selection	QCBS	Quality and Cost Based Selection
FM	Financial Management	RSPN	Rural Support Program Network
GoP	Government of Pakistan	SP	Social Protection
HBL	Habib Bank Limited	SPO	Strengthening Participatory Organization
IBRD	International Bank for Reconstruction and Development	SSS	Single Source Selection
ICB	International Competitive Bidding	TA	Technical Assistance
IDA	International Development Association	UBL	United Bank Limited
IFR	Interim Financial Reports	UC	Union Council
IOM	International Organization for Migration	UN	United Nations
IRC	International Rescue Committee	UNICEF	United Nations Children's Fund
KP	Khyber Pakhtunkhwa	USAID	United States Agency for International Development
LCS	Least Cost Selection	WB	World Bank
		WHO	World Health Organization

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PAKISTAN
Flood Emergency Cash Transfer Project
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PAKISTAN

FLOOD EMERGENCY CASH TRANSFER PROJECT

PROJECT PAPER

SOUTH ASIA REGION

Basic Information	
Country Director: Rachid Benmessaoud Sector Manager/Director: Mansoor Rashid/ Michal Rutkowski Team Leaders: Andrea Vermehren and Iftikhar Malik Project ID: P125105 Expected Effectiveness Date: May 16, 2011 Lending Instrument: Emergency Recovery Credit	Sectors: Other Social Services Themes: Social Safety Nets (70%); Vulnerability Assessment and Monitoring (30%) Environmental category: C Expected Closing Date: June 30, 2013
Project Financing Data	
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:	
Proposed terms: SDR79.5 million (US\$125 million equivalent) of which SDR28 million (US\$44 million equivalent) is on Hard IDA terms (35 year maturity including a 10 year grace period; maximum commitment charge of 0.5% and a service charge of 0.75%, plus a fixed interest charge of 3.2%); and SDR51.5 million (US\$81 million equivalent) is on Standard IDA terms (35 year maturity including a 10 year grace period; maximum commitment charge of 0.5% and service charge of 0.75%)	
Financing Plan (US\$m)	
Source	Total Amount (US\$m)
Total Project Cost:	580
Co-financing:	355
Borrower:	100
Total Bank Financing:	
IBRD	
IDA	
New	125
Recommitted	
Client Information	
Recipient: Islamic Republic of Pakistan Responsible Agency: Cabinet Division Contact Person: Mr. Syed Tahir Shahbaz, Additional Secretary, Cabinet Division Telephone No.: 9207206 Fax No.: 9201664 Email: tshahbaz@gmail.com	

Estimated disbursements (Bank FY/US\$m)						
FY	2011	2012	2013			
Annual	2	80	43			
Cumulative	2	82	125			
Project Development Objective and Description						
<p>Project development objective: The development objective of the project is to support the recovery of flood affected households by assisting the Government of Pakistan (GoP) in strengthening the implementation of its Citizen's Damage Compensation Program (CDCP). To this end, the project would include two components:</p> <p>Component 1: Effective delivery of cash grants to flood affected households (total estimated cost – US\$115 million). The component would provide cash grants to eligible households in two installments through the commercial banking system. This component will be implemented by the Cabinet Division.</p> <p>Component 2: Strengthen program management, monitoring and evaluation (total estimated cost – US\$10 million). This component would provide technical assistance to enhance program management, transparency and accountability at the federal, provincial and local levels through capacity building, communication and public information, monitoring and evaluation, as well as coordination of advisory services for beneficiaries. This component will be implemented by the National Database Registration Authority (NADRA).</p>						
Safeguard and Exception to Policies						
Safeguard policies triggered:						
Environmental Assessment (OP/BP 4.01)				[] Yes [X] No		
Natural Habitats (OP/BP 4.04)				[] Yes [X] No		
Forests (OP/BP 4.36)				[] Yes [X] No		
Pest Management (OP 4.09)				[] Yes [X] No		
Physical Cultural Resources (OP/BP 4.11)				[] Yes [X] No		
Indigenous Peoples (OP/BP 4.10)				[] Yes [X] No		
Involuntary Resettlement (OP/BP 4.12)				[] Yes [X] No		
Safety of Dams (OP/BP 4.37)				[] Yes [X] No		
Projects on International Waterways (OP/BP 7.50)				[] Yes [X] No		
Projects in Disputed Areas (OP/BP 7.60) ¹				[] Yes [X] No		
Does the project require any exceptions from Bank policies? (ref. page 23, paragraph 62)				[X] Yes [] No		
Have these been approved by Bank management?				[X] Yes [] No		
Conditions and Legal Covenants ²						
Financing Agreement Reference	Description of Condition			Date Due		
Section 5.01(a) of the FA	Operational Manual approved by GOP through an endorsement of either the Council of Common Interest or the respective provincial Chief Secretaries			Condition of Effectiveness		

¹ By financing the Project, the Association does not intend to make any judgment as to the legal or other status of any disputed territories or to prejudice the final determination of the parties' claims.

² For a full list of legal covenants, please see paragraph 80 on page 29.

Section 5.01(b) of the FA	Qualified Financial Management staff employed at the Cabinet Division.	Condition of Effectiveness
Section 5.01(c) of the FA	GOP, participating provinces, and NADRA entered into Agency Agreements with the Participating Banks.	Condition of Effectiveness
Section 5.01.(d) of the FA	GOP, co-financing donors, and IDA have entered into a MOU committing at least 60% of the overall donors resources (including the Associations') necessary for the financing of the cash transfers under the CDCP.	Condition of Effectiveness
Section IV.B.1(c)(ii) of the FA	Time bound action plan for the development of a future disasters/emergency crisis through the provision of cash transfers, including appropriate mechanism for asset recovery	Condition of Disbursement for Category (2)

A. Introduction

1. This Project Paper seeks the approval of the World Bank Executive Directors to provide a Credit in the amount of SDR79.5 million (US\$125 million equivalent) to the Islamic Republic of Pakistan for an Emergency Flood Cash Transfer Project, in accordance with the Rapid Response to Crises and Emergency (OP/BP 8.00). Of the SDR79.5 million, SDR28 million (US\$44 million equivalent) will be on Hard IDA terms, whereas SDR51.5 million (US\$81 million equivalent) will be on Standard IDA terms.

2. The proposed Credit would help finance emergency cash grants of Phase II of the Pakistan Government's Citizens Disaster Compensation Program (CDCP) to targeted flood affected households, and provide technical assistance for enhanced governance. It will support the recovery of flood affected households and strengthen the capacity of participating institutions in program implementation, monitoring and evaluation for CDCP Phase II as well as for future disaster recovery responses.

3. Partnership arrangements: The total program financing requirement is approximately US\$580 million of which the Government of Pakistan (GoP) has committed to provide US\$100 million as counterpart funding to match the approximately US\$480 million donor funds. The CDCP is expected to receive parallel financing from USAID (US\$190 million) which is confirmed whereas Italy (US\$ 65 million) and DFID (up to US\$100 million) are in the process of formalizing their contributions to the CDCP. France, Australia, and Canada are considering support for the CDCP as well. In addition to the financing of almost US\$400 million of cash grants in Phase I of the CDCP, the GoP has committed US\$ 100 million for cash grants to Phase II of the program. *The GOP, co-financing donors, and IDA will enter into a Memorandum of Understanding (MoU) committing the necessary resources for the CDCP as a condition of effectiveness.* The MoU will, among others, outline the guiding principles for engagement, responsibilities of participating donors and Government, as well as specific areas of contribution and amounts committed with the objective of clearly tracking funding sources and avoiding duplication.

B. Emergency Challenge: Country Context, Recovery Strategy and Rationale for Proposed Bank Emergency Project.

4. **Pakistan's Floods: A disaster of historic proportions that created a massive need for recovery.** Over the course of the monsoon season in July and August 2010, Pakistan experienced the worst floods in its history. Heavy rainfall caused flash and riverine floods in the north and north-western regions of Pakistan (parts of Khyber Pakhtunkhwa [KP], Gilgit Baltistan [GB], Balochistan, and Azad Jammu and Kashmir [AJK]) that combined to create a moving body of water equal in dimension to the land mass of the United Kingdom traveling southwards. The floods affected 78 districts and nearly 10% of Pakistan's population over a vast geographical area. The National Disaster Management Authority (NDMA) has estimated that in the affected districts, the floods covered over 100,000 square km affecting more than 20 million people³, with over 1,980 reported deaths and nearly 2,946 injured. Approximately 1.6 million homes have

³ This total is greater the combined total of those affected by the Indian Ocean Tsunami, the Burma cyclone and both the Pakistan and Haiti earthquakes, put together,

been destroyed, and 2.4 million hectares of crops damaged. The Multi-Cluster Rapid Humanitarian Needs Assessment (McRAM) conducted in August 2010 found that farm and non-farm livelihoods were severely affected with 60% of households describing themselves as without a main source of livelihood post floods, and 53% of households reporting 76-100% decline in household incomes. The overall recovery and reconstruction cost associated with the floods is estimated to be between US\$ 8.7 and US\$10.8 billion, which includes costs for relief, early recovery, and medium to long term reconstruction⁴.

5. The floods are likely to have worsened the poverty situation in Pakistan. Poverty rates in Pakistan decreased from 34.5 percent to 17.2 percent between 2001/02 and 2007/08. However, during this period there was significant volatility as well, with frequent interruptions in poverty reduction. Over the last two years poverty in Pakistan is believed to be on the rise, particularly in rural areas due to global increases in the oil and food prices, as well as the deteriorating security situation. Human capital indicators are also startlingly low: for example, the net primary school enrollment rate in Pakistan was only 57 percent in 2008/09. The floods disproportionately affected the poorer districts of the country – the pre-flood individual poverty rate of flood affected districts was 20.2% and in non-flood affected districts 14.3% in 2007-8. Bank analysis estimated that the post-flood poverty rates were significantly higher than the pre-flood poverty rates in the flood-affected areas: 32.7% post flood vs. 19.7% pre flood in Punjab; 30.3% vs. 18.2% in Sindh; 33.2% vs. 19.4% in KP; 44.9% vs. 38.7% in Balochistan⁵.

6. Support to flood affected households will be essential in mitigating the adverse effects of income shocks and increased poverty and vulnerability. When faced with crisis and shock, households often employ coping strategies - some of which can damage their future human and economic development - including: i) reducing household net worth or increase borrowing, ii) increasing household labor, iii) reducing consumption, and/or iv) getting assistance⁶. Poorer households are less likely to have assets to sell; therefore, they respond by increasing labor supply or reducing consumption if they do not have access to government assistance⁷. Among the poorest, because their level of consumption is already low, the consequences of reduced consumption are potentially devastating, resulting in malnourishment and micronutrient deficiency among children, pregnant and nursing mothers with devastating effects on their physical and cognitive development⁸. In Pakistan, households faced with income shocks adopt coping strategies including: reduction of assets, increased borrowing, reduced consumption, increased labor supply – often involving taking children out of school to work⁹. The Multi-cluster Rapid Assessment survey by the Office of Humanitarian Affairs carried out immediately after the floods found a range of harmful coping strategies being deployed by flood

⁴ Pakistan Floods: Preliminary Damage Needs Assessment

⁵ This was driven by floods affecting poorer districts in Punjab and Sindh. All districts in KP were flood affected. Source: Social Protection team analysis using the 2007-8 Pakistan Social and Living Standards Measurement Surveys. These numbers have not been endorsed by the GoP.

⁶ Ref. Social Protection in Pakistan: Managing Household Risks and Vulnerability, World Bank 2007

⁷ Ibid.

⁸ Schlichting, D. "Risks, vulnerabilities and coping mechanisms of the poor: an overview of NWFP" Mimeo, 2005

⁹ Social Protection in Pakistan: Managing Household Risks and Vulnerability, World Bank 2007 and Modernizing Safety Nets in South Asia: Improving Regional Responses to Chronic and Transient Poverty, Celine Ferre and Mansoor Rashid, 2010, unpublished manuscript.

affected households: taking on debt (one third of households), selling of assets such as livestock, reducing meal size, switching to lower quality foods, and mothers stopping breast feeding.

7. Pakistan's national disaster response to the floods provided relief on a large scale.¹⁰

Relief operations were launched immediately. The Government of Pakistan and the Provincial Governments immediately launched rescue and relief operations coordinated by the National Disaster Management Authority (NDMA) at the federal level and other relevant agencies at the provincial level, assisted by the Pakistan military and various UN agencies. Over 20,000 army troops including medical teams, along with dozens of helicopters, several aircrafts and over a thousand boats were mobilized to undertake flood relief and search and rescue operations throughout the country. They distributed relief supplies to displaced and isolated populations. Call centers were established to receive and respond to emergency calls. Disrupted communication networks were quickly restored with temporary structures. As of end of October 2010, the NDMA reported the distribution of over 1.1 million blankets; 184,035 tons of food items; and the rescue of almost 1.4 million people.

8. However, Pakistan's existing social safety nets were unable to cope with the scale of support needed at the recovery stage.

Government's interest in improving social protection in Pakistan has hugely increased in recent years. Based on a national consensus, in 2007, Cabinet approved a national social protection strategy¹¹ which translated in 2008 into the launch of the Benazir Income Support Program (BISP) as the country's main nationwide social safety net program. BISP is currently in the process of rolling out a national, door to door poverty targeting survey¹². Given this huge endeavor and the fact that BISP is just developing its own systems and structures, the new institution was not in a position to manage a nationwide cash transfer for flood affected households. At the time of registering for Phase I of CDCP, only 3% of flood affected registrants reported having received BISP payments and 2% other cash assistance.

9. Therefore, a rapid response cash transfer program focused on supporting flood affected families was set up by the Government.

The Federal Government worked with Provincial Governments and the National Database Registration Authority (NADRA)¹³ to initiate the *Citizen's Damage Compensation Program*, a cash grant program for flood affected families. The Government of Pakistan has contributed PRs. 34 billion (US\$400 million) to Phase I of the CDCP (funded 50/50 between the Federal Government and the Provinces) of which over PRs. 28 billion have been disbursed. The program was launched in September 2010 and comprised an initial cash grant of PRs. 20,000 (approximately US\$230) to each eligible family. The program is coordinated by the Cabinet Division (CD) at the federal level in partnership with the provincial governments through their respective Provincial Disaster Management Authorities (PDMAs). NADRA led the systems development and operations. Considering the need to provide rapid

¹⁰ Post disaster response is typically split into three phases. The first stage is immediate relief (0-6 months), where the focus is on keeping people alive and safe and ensuring their basic needs are met, often through in-kind humanitarian assistance. The second stage – before long term reconstruction and development - is recovery (6-24 months), where the focus is not only in protecting basic consumption but also in recapitalizing assets and restoring livelihoods.

¹¹ 'A Social Protection Strategy to Reach the Poor and the Vulnerable', Planning Commission, Islamabad, June 2007

¹² The national social safety net development through BISP is with World Bank Technical Assistance support and a Development Policy Credit (US\$200 million).

¹³ NADRA is the organisation which maintains the database of Pakistani citizens and issues them with Computerised National Identity Cards (CNICs).

support to the flood affected families for their recovery and the huge extent of the floods throughout the country, the Government decided to use simple geographic targeting as the basis for the program in most provinces, while KP used housing damage as a proxy for eligibility in this Phase I of the CDCP. PDMAs identified the flood-affected areas in each Province, NADRA then identified and verified the list of family heads within the affected areas, and commercial Banks made the payments through a debit card (the “Watan Card”) that was given to the eligible beneficiaries. Within three months of its initiation in September, 1.4 million families were registered and paid PRs. 20,000. Considering pending applications (still in the grievance process), it is expected that the CDCP’s Phase I will end up covering up to 1.8 million families.

10. International experience and evidence largely endorses the use of cash transfers at the recovery stage of post disaster response. While historically many disaster response interventions have been in-kind support, there is growing evidence, and demand, for the provision of cash to affected households. Cash transfers offer significant advantages over traditional in-kind support at the recovery stage: flexibility to meet diverse needs, faster delivery, lower overhead costs, positive spillover effects onto the local economy as well as dignity and empowerment of the recipient. Major disasters impact multiple aspects of a family’s life – livelihoods can be destroyed, housing damaged or lost, breadwinners injured or killed. Cash grants allow recipients the flexibility of choosing where to put their resources based on their specific conditions and priorities. Evaluations of (unconditional) cash transfers in emergency situations show that households have made prudent use of emergency cash transfers spending it on basic consumption: food, healthcare, clothing, education; repayment of debts; re-establishment of homes; and, investment in livelihood assets. Recipients preferred cash-based programs over in-kind support. Moreover, the administrative costs of cash transfer programs were far less than the costs of distributing in-kind assistance. Finally, there is evidence of substantial positive spillover effects from the cash transfers onto the local economy when markets are functioning and accessible. A 2007 review of the World Bank’s experience with cash grants in disaster response in South Asia, found that it was principally positive, with the support being deemed adequate in amount and largely targeted at the appropriate people. For more details on the evidence of the impact of cash transfers in general and in emergency situations, please see Annex 10.

11. In post disaster environments, it is not generally advisable to condition short-term cash transfers intended for recovery if such a system did not previously exist. While conditional cash transfers (CCTs) are likely to better protect human capital from shocks setting up essential implementation arrangements for targeting, payments and monitoring of CCTs takes considerable time and administrative resources. In post disaster environments, the need for a timely response and the likelihood of reduced administrative capacity and supply of health and education services make them far less suitable than unconditional cash transfers for supporting short-term recovery efforts. Moreover, households eligible for CCT may not be the ones most affected by the shock. The human capital development goals of CCTs are best served in longer-term safety net programs. BISP is developing plans to introduce conditional cash components in the future.

12. In light of the lessons from international experience on best practice (see Annex 11), the Citizen’s Damage Compensation Program is reasonably designed and implemented, though there is room for improvement. Strengths of the program include (i) unanimous buy in

from all political parties; (ii) strong Federal and Provincial collaboration on design, financing, and implementation; (iii) credible implementing institutions (NADRA, well-respected commercial Banks, PDMA's, etc); (iv) extensive use of Information Technologies (IT) for registration (including biometric verification) and payment (debit/ATM card); and (v) incorporation of the experience of the 2005 earthquake cash grant scheme in both design and implementation of the program. Shortfalls of Phase I of CDCP include (i) simple geographic targeting to identify affected and no further vulnerability filters; (ii) differences in initial targeting methods resulting in possible exclusion errors; (iii) insufficient case management for grievance redressal, (iv) a late start of the Public Information Campaign (PIC) in coordination with PDMA's to inform beneficiaries and potential beneficiaries of their rights and duties; (v) no data sharing protocols between NADRA and Provinces, (vi) initially informal arrangements with participating commercial Banks; and (vii) a lack of independent evaluation and weak program oversight.

13. **The GoP intends to implement Phase II of the CDCP to continue to support the recovery of flood affected households.** The initial payment of PRs. 20,000 helped households to cover immediate needs. However, it was unlikely to be sufficient for recapitalization of assets given the extent of damage and loss. The rapid evaluation of Phase I found families spending the grants mostly on food, healthcare and medicines, repair of housing, and paying off debts. The GoP now seeks to provide total additional payments of PRs. 40,000 to flood affected households. The selection of beneficiaries will be based on their housing damage as a proxy for eligibility. In addition, particularly vulnerable flood affected households (female and disabled headed households) from Phase I will be included. Beneficiaries are expected to use these funds to not only cover basic consumption but to also recapitalize assets, recover their livelihoods and repair housing. The GoP seeks to provide these additional payments to an estimated 1.1 million households. As there are, on average, 6.9 people per household in flood affected areas in Pakistan the program is expected to reach between 7.5 and 8.3 million people.

14. **Phase II of CDCP will have a number of improvements in terms of its design and implementation.** In November 2010, the Government of Pakistan (GoP) and the World Bank agreed through a Memorandum of Understanding (MoU) on the following measures to strengthen the CDCP in Phase II:

MOU Points	Agreed Actions
Adopt improved targeting:	The Government of Pakistan has asked to use housing damage, captured through provincial surveys in flood affected areas, to target beneficiary households for Phase II. The Bank and donors agree subject to the following: 1) Satisfactory validation of the survey methodology and data to ensure that it is objective and accurate; 2) Exclusion of the <i>well off</i> ; 3) Equal payment for beneficiary independent of the extent of housing damage; 4) Inclusion of legitimate flood affected vulnerable households from Phase I not eligible through the targeting criteria in Phase II.
Clarify the roles and financing by Federal and Provincial levels:	Institutional roles have been clarified by assigning the Cabinet Division and NADRA the respective roles that they had performed in Phase I, appropriate enhanced with technical assistance. The Government co-financing for the CDCP Phase II has been confirmed.
Disburse the payments in installments:	It has been agreed with the Federal Government that the beneficiaries will receive two installments of PRs. 20,000 each.

Strengthen the grievance redressal mechanisms and institute a robust public information campaign (PIC):	Based on the Bank's advice, both the grievance redressal and public information campaign in coordination with PDMA's, for Phase II are to be improved and would be supported by the Bank project. Moreover, the Government has agreed to settle all legitimate grievances of Phase I with remaining GoP funds ¹⁴ as well as make a feasible proposal to deal with grievances that have not yet been entered into the system.
Deploy robust evaluation systems:	A third-party rapid implementation evaluation of Phase I of the CDCP was deployed in January 2011. A more rigorous impact evaluation has been planned and will be carried out in Phase II. Operational audits will also be fielded.
Formal contracts with participating commercial Banks:	<i>Contracts are being negotiated amongst the parties and their signature will be a condition of disbursement.</i>
Strengthen governance of the program:	The proposed project will put a strong emphasis on this through effective controls and accountability mechanisms (see above) as well as public disclosure of program performance, hotlines for grievances, and strengthening of oversight institutions e.g. Cabinet Division.
Develop advisory services for the poor to assist in responsible utilization of funds.	The appraisal mission has found that there are a multitude of existing advisory services provided through relief organizations. NGOs will be asked to provide these services to beneficiaries once the payments are made. This will be done through targeted communication and coordination with the main service providers such as Rural Support Program Network (RSPN), Pakistan Poverty Alleviation Fund (PPAF), Strengthening Participatory Organization (SPO), and others.
Time bound Action Plan for the development of a future disaster recovery response through cash transfers that include appropriate mechanism for asset recovery.	GoP understands the need to develop more sustainable mechanisms for the recovery phase of disasters. Cabinet Division has been tasked with this endeavor. <i>The Action Plan will be a condition of disbursement of category 2 (cash transfers) of the proposed Bank project.</i>

These measures have been reflected in the design of Phase II. See Summary of Project Components and Annex 1 for further details.

15. **Other potential donors have asked the Bank to lead in assisting the GOP in evaluating and improving the CDCP.** As such, the Bank has worked closely with GoP and other development partners to undertake an independent rapid evaluation of the program in January/February 2011. Qualitative and quantitative interviews with beneficiary and non beneficiary families were carried out in 24 communities in flood affected areas in Jan-Feb 2011. This was complemented by systems and management review through interviews with federal, provincial and district government stakeholders as well as the partner commercial banks¹⁵.

- The preliminary results and findings so far highlight a number of program strengths: 1) Beneficiary identification: Combined in-depth local knowledge (on flood affected areas) with a clear, systematic and uniform process of verification through the national ID database; 2) Payment mechanism (Watan card): The vast majority (over 90%) of

¹⁴ In terms of redressal and handling grievances that have yet not been addressed, the provinces will assure that all pending applications are dealt with on an case to case basis and no instance will be left unattended.

¹⁵ Note: the household sample size in the rapid evaluation is not large enough to give accurate national estimates.

designated beneficiaries received the Watan cards and the full payment. Beneficiaries also expressed their satisfaction with the payment mechanism of the Watan cards; 3) Use of cash grants: Beneficiary households used the cash grants sensibly - on food, medicines, household assets, repair of housing and construction and livelihood assets¹⁶. The predicted use of next phase is on housing repairs and livelihood recovery e.g., agricultural inputs, livestock.

- The main program challenges relate to: 1) Beneficiary coverage: Some flood affected families were not on the beneficiary list. Causes appear to be administrative e.g., addresses not in database rather than social exclusion; 2) Grievance process: Significant numbers of unprocessed grievances from Phase I, many are stuck at the district level. KP's grievance process excluded those not on the original beneficiary list; 3) Public awareness and communication was insufficient, most information spread by word of mouth resulting in mixed messages and some confusion, especially around the grievance process.
- Fraud and corruption: The evaluation assessed the level of rent seeking from the district to the village. Overall, they found the level low in the beneficiary identification, grievance and payment processes. There were some reports of bribes paid to local revenue officials conducting the housing damage survey (only in KP), to district officers conducting the grievance process, and to officials involved in the registration process.

16. Measures to address the challenges observed in the program design and implementation are incorporated in Phase II.

17. **This short-term recovery project will be linked to the national safety net system to for the poor and vulnerable with longer term development goals.** Pakistan is in the process of setting up a national safety net system for providing targeted social assistance to the poor under the auspices of Benazir Income Support Program (BISP). Launched in 2008 in the face of the Food, Fuel and Financial crises and now established under an Act of Parliament, the BISP provides cash benefit of Rs. 1000 per month to the female head of the family for income support and consumption smoothing. In addition, a number of other complementary and graduation programs are also being designed. As the need for an active and effective safety net is most profound in crisis situations, the integration of disaster response interventions such as the CDCP being supported under this project within the objectives of BISP could be foreseen in the following ways:

- With completion of the nationwide poverty scorecard census in June 2011, the BISP beneficiary base will expand from its present coverage of 2.8 million families in 40 districts to an estimated 5 million families in the entire country. The poorer households receiving the benefits under Phase II of CDCP will arguably require longer term income support to cope with the shock. By meeting the eligibility criteria of BISP, these households will most likely subsume into the more predictable safety net cash transfers under the BISP.
- With the aim to invest in child human capital of its beneficiaries, BISP is also planning to augment the size of current benefits by introducing co- responsibilities pertaining to

¹⁶ Out of 74 beneficiary households surveyed, 59% of households used WATAN on food, 43% on repair of housing, 24% on household assets, 23% on clothing, 22% on medicines, 9% on livestock and 9% on agricultural inputs.

primary school enrollment and attendance. By means of integration into the BISP beneficiary base, the rehabilitation of the CDCP beneficiaries will be linked to regular and long term mechanisms by qualifying for additional support linked with sending the children to school.

18. The CDCP payment mechanisms are making use of the formal banking system and thereby expanding the net of financial system to among others, the poor. Since one of the objectives of BISP is to develop technology based payment solutions that reduce the leakage and increase the transparency, the CDCP will help in providing the platform for scaling up the financial inclusion of the poor in the formal banking system. This will open additional avenues of economic improvement at individual and family level (by increasing access to financial resources and systems) both for the extremely poor as well as those affected by the disasters.

C. Bank Response: The Project

Brief description of Bank's strategy of emergency support

19. The Bank has been assisting the GOP in its flood response through financing the Post-Disaster Needs Assessment. In September 2010, the Bank has also made available US\$300 million in IDA resources for fast-disbursing financing of critical flood-related imports through additional financing to the ongoing Earthquake Emergency Recovery Credit Project (P099110).

20. **The World Bank is well placed to support Pakistan in the extension and strengthening of CDCP** due to its substantial international and regional experience (Tsunami in Sri Lanka and Maldives) in protecting the affected and vulnerable through cash transfer programs after natural disasters. Given the significant impact of the disaster on the poverty and vulnerability of families, a well targeted and efficiently implemented post-disaster cash transfer system is an essential element for Pakistan's national social protection system development. The Bank also has considerable experience in crisis response in Pakistan. In 2005, it responded quickly to the post earthquake crisis, by helping finance the design and delivery of livelihood support cash grants to the poor. In addition, the Bank is supporting social protection sector reforms in Pakistan through a development policy credit accompanied by a social safety net technical assistance project for BISP. Finally, the Bank has made available US\$250 million in support of the Khyber Pakhtunkhwa and FATA Emergency Recovery Project that provides cash grants to militancy affected families.

21. **The Bank's convening power is an important vehicle for this program's continuation.** There are multiple development partners providing assistance to both the GOP and NGOs for flood recovery. The success of the GOP's overall flood response requires that all actors work in a coordinated fashion. Thus far, the Bank has played a key role in coordinating and aligning the relevant stakeholders to ensure synergy and avoid duplication.

Project Development Objectives

22. The development objective of the project is to support the recovery of flood affected households by assisting the Government of Pakistan in strengthening the implementation of its Citizen's Damage Compensation Program. This would be achieved through the provision of cash grants to selected households through the banking system (Component 1), and through technical

assistance to enhance program management, transparency and accountability at the federal, provincial and local levels through capacity building, communication and public information, monitoring and evaluation, as well as coordination of advisory services for beneficiaries (Component 2).

23. **Key performance criteria and indicators.** The following set of quantitative and qualitative indicators will be used to assess project performance:

- (a) Coverage: At least 1 million flood affected, eligible households benefit from cash grants.
- (b) Targeting efficiency: Average baseline poverty score of CDCP II families will be lower than average baseline poverty scores of non CDCP families in each province.
- (c) Efficient delivery: At least 70% of beneficiaries express satisfaction with the program’s delivery system.

Summary of Project Components

24. **Component 1: Effective delivery of cash grants to flood affected families** (total estimated cost – US\$115 million). The component would provide cash grants to eligible households in two installments through the commercial banking system. This component will be implemented by Cabinet Division.

25. **Coverage and Targeting.** The program will provide payments to an estimated 1.1 million households identified through the provincial housing damage data, and verified by NADRA through triangulation with the beneficiary database of Phase I of the program, as well as independent spot checks according to mutually agreed parameters. The Program will include beneficiaries which are registered in the notified flood- affected areas including the legitimate vulnerable¹⁷ included in Phase I but not captured through the new eligibility criteria of Phase II.

26. The estimated number of beneficiary households by region is

KP	265,000
Punjab	350,000
Sindh	350,000
Balochistan	105,000
AJK	10,000
Gilgit Baltistan	10,000
Total	1,090,000

27. **Payments.** All eligible beneficiaries will receive, irrespective of the degree of damage to their houses, a total of PRs. 40,000. Payments will be made in installments of PRs 20,000 each, and will be staggered within and between districts and provinces in accordance with the logistic plan agreed with partner Banks. The program will include provisions for a 10% contingency to

¹⁷ Vulnerable beneficiaries are female or disabled headed households.

attend the grievances of eligible beneficiaries. Payments will be delivered using the same system as Phase I, wherein beneficiaries are paid using ATM/debit cards issued to them during Phase I. Phase II beneficiaries will be re-certified¹⁸ by NADRA if necessary and informed of the amount, payment period, payment points as well what documentation to bring to the payment center via a communications campaign. Informed by NADRA of the list of beneficiaries, Partner Banks will set up Point of Sale and ATM machines at payment centers, create virtual accounts for payment and activate debit cards enabling beneficiaries to withdraw their funds. Help lines will be set-up by NADRA and the Partner Banks to support beneficiaries who encounter difficulties with withdrawing their funds, lose their debit cards or PIN or experience other issues related to payment.

28. **Grievance Redressal System:** Grievance redressal centers will be opened and staffed by NADRA and District officials (DCOs). These will be responsible for addressing grievances related to eligibility, and inform appellants as to why they are excluded. Depending on the nature of the grievance, different stakeholders are responsible for providing solution to the grievances:

- **Grievances related to Computerized National Identity Cards (CNIC).** NADRA will ensure the updating of CNICs, as appropriate, including changes in family status, updating address, family name etc. NADRA will also be regularly updating the beneficiary database, as per the updated lists received from the PDMA's. NADRA will also operate help lines for beneficiaries to address grievances related to CNIC details.
- **Grievances related to eligibility/targeting.** The District Administration will be the key local body collating the beneficiary lists based on household damage. The beneficiaries whose names do not appear in the lists will first check with their local authority at the moaza/goth/village level and request for an update. This information will then be passed on the District Administration, who will subsequently inform the PDMA's to update the beneficiary lists. These updated beneficiary lists will then be sent to NADRA, who will then verify and include eligible beneficiaries into the formal lists for generation of payments and issuance of Watan cards. Where the District Administrations fail to effectively manage these grievances, the respective PDMA will be responsible for ensuring the capacity and transparency of the process.
- **Grievances related to payments.** The partner commercial banks be responding to grievances related to payments, such as lost Watan cards, forgotten PIN numbers etc., the Partner Banks will operate grievance offices and dedicated hotlines. These help-lines will use an extensive public information campaign in coordination with PDMA's, to provide guidance about the different grievance processes.

29. **Social Accountability and Transparency:** To ensure as much transparency as possible the eligibility criteria and beneficiary lists will be published on the NADRA website and in more basic hard copy notices at Union Council level by DCO's. In addition, the program implementing agencies will collaborate with NGOs in the country that have intensive presence in the flood affected areas to engage community organizations and other local institutions, (e.g. council of elders) in the grievance redress process, communication/outreach and evaluation. This will also account as far as practically possible for gender issues and a voice for women in the

¹⁸ Re-certification would be performed by NADRA for Phase II of the CDCP, by verifying and confirming beneficiary biometrics.

process. Furthermore, a mobile-based SMS enquiry and response system has been set up by NADRA. For payment concerns, the banks have already set up toll-free telephone help-lines to record and answer complaints. NADRA will provide web-based updates on program progress on a dedicated website of the program. For more details on Monitoring Arrangements, see Annex 7.

30. **Last resort for unanswered grievances or maladministration.** The Federal and Provincial Ombudsmen will be available to the public to settle disputes. DFID is planning to fund the International Rescue Committee (IRC) to help beneficiaries and/or communities in highlighting and lodging their complaints. IRC plan to set up three “citizen advice bureaus”, also IRC staff will have a presence at NADRA Centres and the DCO offices. IRC will also maintain its current offices in the 8 flood effected districts to support these beneficiary advisory activities. A more recent initiative launched by Transparency International, supported by USAID, includes a fraud hotline available to the general public for reporting fraud and corruption-related grievances.

31. **Component 2: Strengthen program management, monitoring and evaluation** (total estimated cost – US\$10 million). This component would provide technical assistance to enhance program management, transparency and accountability at the federal, provincial and local levels through capacity building, communication and public information, monitoring and evaluation, as well as coordinating of advisory services for beneficiaries. This component will be implemented by NADRA. The main areas of technical assistance include:

- **Operational Audits.** The objective of the audit process is to review the performance of the program throughout the project cycle including beneficiary targeting, payments, grievance redressal, public information, management and oversight.
- **Communications and Public Information.** To inform beneficiaries of key information and minimize public grievances, NADRA will develop an effective internal and external training and communication strategy. This will also inform existing organizations providing advisory services to beneficiary populations of the program and payment schedule allowing them to provide timely support to beneficiaries.
- **IT software development and hardware** will be created to complement the existing Management Information System (MIS) and develop additional modules (e.g. for grievance redressal) including decentralized utilization of the MIS.
- **Strengthening of the Cabinet Division.** Short and long-term consultancies will support Cabinet Division in its coordination and policy preparation functions (for NODMC), as well as in strategic questions on future disaster management with regard to cash transfers. Assistance will also be provided to strengthen the financial management capacity of the Division through staffing and provision of improved office facilities.
- **Strengthening of PDMAs/DCOs.** Capacity will be built through technical assistance, training and possible hard and software acquisitions to support their playing an active role in this and future emergency programs. Assistance will be given to enhance their role in operations, outreach, communication and monitoring of the program.
- **Impact Evaluation.** Using appropriate ex-post impact evaluation techniques to provide statistically robust information on the short to medium term effects of Phase I and Phase II cash transfers on beneficiary households’ consumption, labor and investment outcomes and coping strategies. Negative or positive spillover effects on the local economy and community will also be assessed if possible. It will also explore the extent

to which any households have been inappropriately excluded from the program and if so whether there are any common factors leading to their exclusion.

- **Fiduciary and program management.** Individual consultants including international and national technical experts and fiduciary consultants will be contracted as needed.
- **Incremental operating costs.** This will cover expenditures for the management and coordination of project activities which would not have been incurred in the absence of the project excluding the salaries of the recipient's civil servants.

Eligibility for Processing under OP/BP 8.0

32. The project is based on the Bank's four guiding principles enunciated under OP 8.00 and addresses adverse economic/social impacts of crises. More specifically, the project is in line with the Bank's core development and economic mandate, including relief to recovery transitions; in close coordination with other development partners and with appropriate oversight arrangements including corporate governance and fiduciary oversight.

33. The project is adapted to the emergency's particular circumstances and takes into account the Bank's assistance strategy for the country. The country lending program is adjusted to accommodate the operation, in addition to the country's lending allocation as specifically requested by the Government of Pakistan. It is taking credit risk and IDA lending policies appropriately into account.

Consistency with Country Partnership Strategy

34. The proposed project is consistent with Pakistan's Country Partnership Strategy (CPS) for FY 10-13 which recognizes the need to *reduce vulnerability through effective safety nets* as well as *improved disaster risk management* under Pillar 2 entitled "*accelerating delivery of human development and social protection services*". The CPS states that more than 40% of the population was moving in and out of poverty between 2001/02 and 2004 when the economy started growing and the poverty headcount declined by 10 percentage points. As stated in the CPS, the large volatility in poverty suggests that a substantial portion of Pakistan's population is vulnerable, living close to the poverty line, and could fall into poverty as a result of shocks.

35. Pakistan's immense floods in the summer of 2010 certainly were a massive shock to millions of families, many of which had already been affected by the 2008/09 food, fuel and financial crises. The project intends to address the needs of the vulnerable, flood affected population through a two pronged approach: by immediately providing support for the early recovery of families through provision of cash grants, and by establishing – through technical assistance – a system for using cash transfers in future emergency situations in an orderly and effective way.

Expected Outcomes

36. The cash grants provided under Phase II of the CDCP are expected to help flood affected households in their recovery from the devastating effects of the floods, protecting basic consumption and helping them to resume their livelihoods, reconstruct their houses, and recover assets and other necessities of living. By supporting early recovery, the cash grants aim to lower

engagement in suboptimal coping mechanisms that could result in further increases in poverty and vulnerability.

37. Furthermore, the project will enhance the capacity of the Federal, Provincial and local administration to manage post-disaster safety net response. Finally, the project will support the development of a longer term strategy by the government to support the recovery phase of families from potential future disasters through a time bound action plan that would be readily available should a similar disaster situation occur.

38. The CDCP despite its limited duration will also strengthen the national safety net. The CDCP beneficiary lists will be linked with BISP, and those families who are eligible for BISP support will be included as BISP¹⁹ beneficiaries at the end of Phase II. The technical assistance implemented through Component 2 will build internal program management capacity for Phase II as well as create disaster response mechanisms and systems that can be reactivated should future disasters occur.

39. Details on the project development objectives, the anticipated results and intermediate outcomes and proposed monitoring mechanisms are detailed in Annex 2: Results Framework and Monitoring.

D. Appraisal of Project Activities

40. **The project design includes and applies lessons learned** from previous in-country experience, Bank-wide experience with cash transfers in emergency response operations and international best practice. Lessons on critical elements of design and implementation of cash transfers: amount of cash grant, payment modalities, delivery mechanisms, communication, counseling/advisory services to recipients and monitoring and evaluation systems are being applied (see Annex 11 for more details). The project will also use the results of the rapid assessment of Phase I of CDCP to inform the design and delivery of Phase II. This includes settlement of all outstanding legitimate claims that have been cleared through the grievance redressal system of Phase I, adoption of a refined targeting mechanism that would filter out the better off and include the most vulnerable flood affected families by applying easily observable and verifiable proxy variables available in the National ID Database. It would also include a stronger communications strategy, monitoring and evaluation and other measures to improve implementation, governance, and grievance redressal.

41. **The implementing partners have significant experience with delivering cash transfers and are using appropriate systems.** Cabinet Division in coordination with NADRA has already delivered the first CDCP payment to roughly 1.45 million families. The funds have been sent electronically through existing financial institutions, utilizing individual ID cards with codes that are unique and difficult to replicate, and are biometrically verifiable. As such, the project is well aligned with the Bank's Good Practice and Guidance Note by OPCS on "Cash Transfer Programs in Emergency Situations" from June 2008.

¹⁹ It should be noted that while CDCP grants are provided to the family head, who is usually male, BISP support is provided to the female of the family.

42. **The project includes technical assistance to build institutional capacity and processes necessary to effectively implement Phase II as well as future post-disaster relief cash transfer programs.** The project includes a separate component (component 2) to ensure that the necessary capacity and systems are built, including important elements such as communication and public information, operational audits, monitoring and evaluation systems that are critical for effective implementation and reduction of risks e.g., misuse and corruption associated with cash transfers.

43. **This short-term recovery project will be linked to the national safety net system for the poor and vulnerable with longer term development goals.** Pakistan is in the process of expanding the national safety net program: the BISP. With the completion of poverty scorecards this year, it will expand from 2.8 million families in 40 districts to an estimated 5 million families in the entire country, providing each family with 1,000 rupees per month. Additional BISP payments linked to primary school enrollment and attendance are also planned. CDCP households, which have not sufficiently recovered and are still poor and vulnerable at the end of Phase II will be covered/transitioned onto BISP.

Technical

44. **Targeting Criteria.** The refined targeting criteria for Phase II could potentially improve on the simple geographical targeting used in Phase I as it aims to identify those with housing damage within the flood affected areas. An independent third party spot check will be carried out to verify the accuracy of this provincial survey data, and disbursements will be linked to the findings of this verification. The equal payment to all beneficiary households will remove the risks of subjectivity in assessing whether a house is partial or fully damaged. Excluding the better off and including the most vulnerable flood affected households from Phase I will also improve the targeting efficiency of the CDCP. In most cases, committees have been established that assess the housing damage rather than leaving it to individuals to report back on the damage.

45. **Payment System:** The payment system in Phase I has been effective and therefore it is appropriate to continue using the system in Phase II. The few weaknesses identified is being addressed. The capacity of the Cabinet Division will be strengthened through the Technical Assistance, which will improve the reconciliation of cash flows. The difficulties encountered in using the payment systems by beneficiaries should be reduced through the improved communication and public information activities included in the proposed project.

46. **Grievance Mechanisms:** Lack of appropriate grievance mechanisms were identified in Phase I and as such are being improved for Phase II via technical assistance. Grievance offices will be opened as quickly as possible, and government and partner bank staff trained on the appropriate processes for addressing grievances, as outlined in the Operations Manual. Information on grievance redressal will be one of the key messages in the public information campaign, in coordination with PDMA's to inform potential beneficiaries of the grievance process and where to direct their queries. Through coordination with large NGOs such as the Pakistan Poverty Alleviation Fund (PPAF), the Rural Support Program Network (RSPN), and Social Participatory Organization, local community leaders, elders, lady health workers and others will be alerted to the processes required to access the grievance system.

47. **Communications Campaign:** The Communications for CDCP Phase II will be supported through specialized technical assistance to NADRA, developing and providing appropriate communication materials for each stakeholder, while also encouraging innovative and locally appropriate interventions to share the messages and reach the beneficiary population. The campaign will work on three fronts: Internal Training and Briefing to ensure there is a coherent understanding of all aspects of the program at all levels among all stakeholders; Beneficiary Awareness through a range of appropriate local media, local government and local institutions; and Public Awareness for general public, media, academia, donors, politicians, opinion makers and the civil society nationally.

48. During Phase I of CDCP, an independent agency, the International Organization for Migration (IOM), was closely involved at the field level in providing information to the public on the various programs and services available for flood victims. With the technical support of NADRA, they prepared a set of answers to ‘Frequently asked Questions’ (FAQs) concerning Watan Cards, registration, payment and grievance procedures etc. They also ensured that the IOM Humanitarian Call Centre had all necessary information and training on CDCP to follow up individual cases with appropriate and specific advice and guidance. For Phase II of CDCP, it is planned to repeat this type of third party communication outreach and formalize the collaboration between IOM and NADRA for similar communication backup and support in the field. IOM’s support of the Communications Campaign for Phase II will be funded by DFID.

49. **Advisory Services:** OCHA²⁰ estimates that at least US\$1.25 billion has been provided by international donors and agencies in response to the floods, complementing national resources and private donations. The post-floods humanitarian response is now shifting into early recovery, providing advisory services and support to communities and households. The national Rural Support Programme Network which has bolstered its activities as a result of the flood is present in most districts covering over 90% of the rural population nationwide. This is complemented by a significant number of national and international NGOs active in most flood affected districts.

50. The agricultural cluster set up as a response to the floods and co-chaired by government (NDMA) and FAO estimates that over 900,000 flood affected families are being provided with agriculture-related support and advisory services. The shelter cluster co-chaired by NDMA and IOM is now focused on providing and expanding advisory services and training focused on appropriate flood (and earthquake) resistant housing, and support for re-construction of over 100,000 basic houses for the more vulnerable.

51. These two clusters²¹ which are particularly key for supporting advisory services to CDCP Phase II have agreed to help coordinate and mobilize the livelihoods and shelter-related advisory support already operating at community level in timing with cash disbursements. In addition, the co-chairs of these two clusters propose to agree guidelines suggesting a best practice of targeting any significant form of transfer of resources – other than CDCP – to households (e.g., materials to re-build a house) at families not benefiting from CDCP Phase II. This will help ensure

²⁰ United Nations Office for the Coordination of Humanitarian Affairs. ‘Clusters’ are sectoral mechanisms to promote dialogue and coordination between relief agencies

²¹ As Pakistan moves from humanitarian to early recovery, it is expected the “clusters” becoming “working groups” with the government and international agency co-chairing remaining in place and performing a similar coordination and information role to the clusters with an early recovery focus.

households in need but not eligible for CDCP Phase II will receive support from other donor funded mechanisms through NGOs who are better placed to target at community level.

Economic and Financial Analysis

52. There is strong evidence that shows well designed and managed cash transfers have significantly raised household consumption and investment in child human capital and productive assets, thereby having an immediate and longer-term impact on poverty. Typically the grants are spent in a welfare promoting manner such as on food, clothing, health and education. There is also strong evidence showing that cash transfers (unconditional) in post-disaster/emergency situations are effective in smoothing consumption, preventing households from adopting harmful coping strategies and supporting recovery (re-establishment of homes, restarting livelihoods).

53. The Pakistan floods have created a massive need for recovery and recapitalization among flood-affected families, many of whom are poor (either to begin with as the floods disproportionately affected poorer districts or became impoverished due to the floods). A range of harmful coping strategies have been observed, including taking on debt, selling of assets such as livestock and reduction in food intake. The range of losses and needs create a strong rationale for cash transfers, especially as markets are functioning and accessible.

54. It will not be possible to quantify the estimated economic benefits as we cannot predict the specific expenditure of recipients and the overall effect on household consumption and investment. The intended ex-post impact evaluation to be carried out will enable us to estimate the size of the economic benefits of the CDCP. With that caveat, it is expected that there will be similar household-level benefits for the estimated 1.1 to 1.2 million flood-affected households participating in CDCP II, including: 1) Increased expenditure and consumption of food and other basic goods and services such as healthcare; 2) Reconstruction of housing; 3) Increased investment in income-generating goods such as agricultural inputs; 4) Protection and recapitalization of productive assets such as livestock; 5) Repayment of debt that had been taken on to cover basic consumption; 6) Reduction in other harmful coping strategies such as taking children out of school to work. Offsetting adjustments such as reduction in labor market participation of adults among beneficiaries are not expected, while positive spillover effects on the local economy of communities that have significant numbers of beneficiary families are expected.

55. The Bank's rapid evaluation of Phase I of the CDCP found that households spent the first CDCP payment on basic needs: food and healthcare; housing repair; livelihood assets and paying off debts. Cash grants received in Phase II are expected to be used in for similar purposes²².

56. Based on the pre-flood and post-flood poverty rates of flood-affected districts, as well as the provision to enroll vulnerable flood affected households who would not qualify under Phase II criteria, a significant proportion of the beneficiary households in Phase II will be poor. By providing an additional payment of PRs. 40,000, the CDCP can potentially have an impact on immediate and longer-term poverty as the payment of amount is large enough to support basic

²² The program will disburse Rs. 40,000 to flood affected households which would be far less than the average reconstruction costs for building basic houses estimated at PRs. 150,000.

consumption needs as well as make a substantial contribution to the reconstruction and recapitalization of assets.

57. Given the scale of the program, the intensive use of existing systems and tight procedures through mostly government agencies, it is estimated that CDCP will be a cost efficient program with low administrative costs, not exceeding 5% of total program costs. CDCP compares favorably with international efficiency benchmarks for safety net programs. On average, administrative costs on well-executed cash or near cash programs are 8-9% of total costs, while food-related programs are 22% on average due to the costs of logistics and high cost of imported foods. Refer to Annex 10: Economic and Financial Analysis for further details of the analysis.

Fiduciary

58. **Financial management and auditing arrangements.** A comprehensive Operations Manual is being prepared for the Project, which would define the policies and guidelines for funds flow control, financial reporting and auditing. Financial Management is further discussed in Annex 5. The project has two implementing agencies. The review of financial management arrangements has been completed. The implementing agencies, especially the Cabinet Division, which will be in charge of controlling financial flow, will need to hire a couple of additional staff who handles effectively delivery and reporting in respect of cash transfer to the beneficiaries. Both the implementing agencies have internal audit arrangements and the project would be included in its scope.

59. **The Cabinet Division** will implement component one; the delivery of cash grants to the flood affected families which will be guided by the program's Operations Manual. The existing staff in the Accounts Section of the Cabinet Division may not be able to handle this additional responsibility and additional staff may be required. Cabinet Division has not previously implemented a Bank-financed project. Cabinet Division's audit have been conducted up to FY' 10 by the Auditor General of Pakistan. Report based disbursement would be used for the project.

60. **NADRA** has also not implemented a Bank-financed project before this. However, they have the wherewithal to manage the TA component of the project. Their Finance & Accounts Department is adequately staffed. NADRA is using a computerized accounting system and following international standards for financial reporting. NADRA's audit has been conducted up to FY'10 by a firm of chartered accountants who have given an un-qualified opinion and there are no major issues. Report based disbursement would be used for the project.

61. Financial management arrangements for the project provide a reasonable assurance that the project funds would be used for intended purposes.

62. There are eight IDA-financed operations in Pakistan which have not refunded or provided documentation on the use of Designated Accounts/Special Accounts (DA/SA) after the deadline of two months after the end of the "grace period" (i.e., the "lapsed loan" date, normally six months after the Closing Date). Under Bank policy (OP12.00, disbursement paragraph 12), failure to refund unused Designated Accounts/Special Accounts balances results in the Bank not permitting the use of DA under new loans/credits. Management endorsement for the request of a waiver based on the requirements of OP12.00, has been secured for a period of 12 months ending

on October 31, 2011 to allow for continued use of Das for loans and credits to Pakistan. The waiver requires the approval by the Board for this Credit.

63. Based on the Bank's assessment, the FM arrangements for the project are considered satisfactory and there is sufficient assurance that the requirements of OP 10.02 will be met. The implementing entity will ensure that the Bank's guidelines on Preventing and Combating Fraud and Corruption in Bank Financed Projects (dated January 2011) are followed in the project.

64. **Procurement:** Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants January 2011"; "Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers January 2011", and the "Rapid response to crises and emergencies: streamlined procurement procedures, guidance to World Bank staff, 2001", as well as the provisions stipulated in the Financing Agreement. The general description of various items under different expenditure categories are described below. For each contract to be financed by the Project, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are to be agreed between the Borrower and the Bank Project team in the Procurement Plan. A full plan is yet to be developed, however NADRA has submitted an initial Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity. A General Procurement Notice shall be published as soon as procurement plan is prepared.

65. No procurement of works is envisaged in this project. Contracts for goods under ICB are not expected at this stage. Procurement methods for goods under the project will consist of shopping for contracts costing up to USD 50,000, NCB for contracts above USD 50,000, and ICB for contract costing more than USD 500,000. Direct contracting may be used for any urgently required goods after prior approval of the Bank. Contracts with consulting firms will be procured in accordance with Quality and Cost Based Selection (QCBS) procedures or other methods given in Section III of the Consultants' Guidelines. Consulting services selection would be carried out through QCBS for contracts with consulting firms costing more than USD 400,000 equivalent, and through Consultants Qualification (CQ) for contracts costing up to USD 400,000. Other methods as mentioned in Section III of Consultants' Guidelines shall be used as required.

66. **Capacity of Procurement Department at NADRA:** The Bank's Procurement Specialist has conducted the capacity assessment for NADRA. The assessment reviewed the organizational structure, staffing and capacity for implementing the project. NADRA is responsible for conducting Procurements of this project, whereas Manager Procurement shall be the focal point for procurements in NADRA. Overall, NADRA is a well established organization having a separate Procurement Department with a formal arrangement of staff responsible for conducting NADRA's own procurements. It should be pointed out, however, that there is a concern regarding (1) its limited capacity in handling procurement, especially hiring consultancy services, (2) its somewhat irregular practice in procurement procedure, often not fully complying with Public Procurement Rules, (3) lack of basic knowledge of procurement, and (4) a large gap between the Procurement Procedures/ Policies present at NADRA and Bank's Procurement Guidelines and Documents. To accommodate such shortages in procurement at NADRA, there will be a dedicated Procurement Specialist in Procurement Department of NADRA, who will be

hired to support the Procurement processes. In addition, the project will support procurement training to increase its fiduciary capacity. The Bank has also agreed with NADRA on the procurement actions with the specific milestones in the area of market constraints, transparency and complaints handling.

Environmental and Social Aspects

67. **Environment.** The proposed project includes cash transfers and technical assistance which would not have any adverse environmental effects. Accordingly, no environmental safeguard issues and/or associated irreversible impacts are expected from this project. There will be no negative impact of this project in terms of this location/involuntary resettlement. Therefore, social safeguard policies will not trigger.

68. Consequently, the project is classified as a Safeguard Category C activity by IDA. An Environmental and Social Screening Assessment Framework (ESSAF) is, therefore, not required for the project.

69. **Social.** It is expected that a large scale cash transfer program with relatively large payment amounts such as CDCP will have substantial effects on beneficiaries and communities. With this point in mind, the Bank, in collaboration with the government implementing agencies, have started to conduct a series of assessments and evaluations to assess how the cash grants specifically impact household and community welfare.

70. First, the Bank team has worked with NADRA to analyze the beneficiaries' registration data to profile the vulnerability characteristics of flood affected families, with a close attention to the gender and disability status of the registered family heads at the introduction of Phase I of CDCP. This vulnerability analysis is based upon a random sample of 30,018 records taken from NADRA's flood registration database together with the linked information on gender, disability and educational levels taken from the CNIC database (see the detail in Annex 9).

71. The Bank has also designed and assisted the third party rapid evaluation of Phase I of the CDCP. The assessment analyzed the design and implementation in Phase I to inform the design and implementation of Phase II of the CDCP. The field work was completed in February 2011. The household questionnaires have a gender and vulnerability lens when assessing each step of the program implementation. Both men and women in each household were interviewed to assess gender equity related aspects of the program. The survey also includes several qualitative analysis methods such as focus group discussions and key informant interviews.

72. Moreover, under Component 2 of the proposed project, a more rigorous impact evaluation of the program will be conducted to assess the short to medium term effects of the cash transfer program on beneficiaries. The evaluation will also examine if the cash transfer program has had any negative effects at the household level or broader community/societal level. It will also explore the extent to which any households and families have been inappropriately excluded from the program and if so whether there are any common factors leading to their exclusion.

E. Implementation Arrangements and Financing Plan

73. **Policy Decisions and Oversight:** The Council of Common Interest (CCI), composed of the Prime Minister and all four Chief Ministers of Provinces is the constitutional body to build consensus between the provinces. It has been and will be responsible for key policy decisions regarding program financing and design that require inter-provincial coordination and commitment of the CDCP. The National Oversight Disaster Management Council (NODMC) has been created as an independent body to oversee all flood related activities in the country. In case of the CDCP, it reviews the contours of the program and provides its views to the CCI for their decision. It should also ensure that proper monitoring and accountability mechanisms are put in place for full transparency in the utilization of funds. The NODMC has representatives from and each province.

74. **Cabinet Division will be responsible for the overall coordination and monitoring of the program.** Cabinet Division assumes the responsibility for overall program coordination, and for managing the flow of funds from Finance and donors to the commercial banks' accounts. As the secretariat for the NODMC and with technical support from NADRA, the Cabinet Division shall prepare policy options and the program design for approval of the CCI. The Cabinet Division provides the platform for the required coordination of the program with the respective provincial agencies (PDMAs) and the District Governments. It will also be responsible for donor coordination and reporting on the program. Cabinet Division is the implementing agency for Component 1 of the project.

75. **NADRA will provide all technical and operational support for both the field implementation of the project and the data.** NADRA's competency is based on the institution's experience gained in the earthquake response (2005), with Internally Displaced People (IDP) in 2009, and in the management of Phase I of the CDCP, as well as supporting the implementation of BISP. NADRA has developed the program's operational procedures, which have now been fully detailed in the program's Operations Manual. This manual will provide all concerned stakeholders with guidance on implementation procedures along with any necessary training, follow up support and advice on their respective roles. A key responsibility of NADRA is the further development and maintenance of the program MIS including populating and maintaining the program beneficiary lists. This will require a significant public interface to ensure the agreed targeting of beneficiaries in accordance with the approved criteria: NADRA will set up and operate the necessary re-verification centers; provide new, replacement or updated CNICs to any potential beneficiaries that need them; update family tree information as required; acquire and subsequently verify biometric data on-site and ensure the banks issue (or re-verify) Watan Cards and pin numbers as required either for existing or new beneficiaries. NADRA is the implementing agency for Component 2 of the project. For more details, please see Annex 7.

Summary of project costs and financing plan

(US\$ Millions)

1	Component 1 (Cash Grants)	
1.1	Cash Grants to the flood affected households	115.00
	Sub Total (Component 1)	115.00

2	Component 2 (Program Management, Monitoring and evaluation)	
2.1	Operational Audits	0.35
2.2	Communication & Public Information Campaign	1.00
2.3	IT Software Development & Hardware	2.18
2.4	Strengthening of Cabinet Division	0.32
2.5	Impact Evaluation	2.00
2.6	Individual Consultants	0.15
2.7	Incremental Operating Costs	4.00
	Sub Total (Component 2)	10.00
	Total	125.00

76. Given the emergency character of the project and the expected quick disbursements of cash transfers to the needy population, Bank **supervision** will have to be more frequent than for a regular investment project. Frequent supervision missions are planned that would include the technical as well as the fiduciary team. Project monitoring will include all aspects of the program cycle as well as the technical assistance areas identified under Component 2. Project **monitoring** will be enhanced by third party, Operational Audits that will serve both the program managers as well as development partners to discuss and decide on necessary operational adjustments. The **evaluation** strategy of the program started with a quick implementation evaluation of the program in January/February 2011 that combined qualitative work on program implementation with initial quantitative questionnaires to assess beneficiary views and behavioral patterns. The quantitative part of the evaluation will be continued during program implementation to reach a representative sample of beneficiaries that will inform the achievement of outcomes and results of the program. For more details, see Annex 2: Results Framework.

F. Key Risks and Mitigating Measures

77. The proposed emergency operation faces substantial operational and reputational risks. The Bank team assesses the overall risks as “high”; however, considering a strong demand for the Bank and other DPs to respond to the emergency crisis, the Bank and Government counterparts have ensured that mitigation measures have been sufficiently incorporated to the project design. The Operational Risk Assessment Framework (ORAF), analyzing major risks and mitigation measures has been prepared by the Bank team in consultation with the counterparts. The following summarizes key risks and its mitigation measures from ORAF.

78. The Bank team carried out a Risk and Opportunities Workshop in January 2011 with participation of relevant Government entities, donors and key stakeholders. The main risks identified in that workshop include (i) lack of sufficient coherence and collaboration across Provinces, as well as for the lack of adherence to agreements with the Federal Government; (ii) potential political and operational difficulties in improved targeting for the subsequent tranches given that the first tranche was universal in flood affected areas; and (iii) fraud and corruption instances as well as inclusion/exclusion errors. The overall risk rating at preparation and implementation is high. Potential impact and mitigation of these risks is as follows:

(i) **Lack of sufficient coherence and collaboration across Provinces**, as well as lack of adherence to agreements with the Federal Government may delay implementation and potentially lead to disappointment and confusion if stakeholders and beneficiaries receive different messages from provincial and Federal Governments. To mitigate the Bank is supporting capacity building in the main implementing agency and entity as well as the hiring of a communications specialist who will organize internal (to the governments) and public information campaigns in coordination with PDMA's to support more coherent messaging and information. In addition, it has been agreed that the Program's Operational Manual would be endorsed by all provinces. Throughout project implementation, the Bank will continue to facilitate coordination between the GoP and other stakeholders.

(ii) **Potential political and operational difficulties in improved targeting for the subsequent tranches may lead to beneficiary and other stakeholder confusion and disappointment.** This will be mitigated through the improved communications activities outlined above, as well as third party Spot Checks (financed by USAID) on the list of flood affected households provided by the provinces, and verifying the list with simple and verifiable data from NADRA's database.

(iii) **Fraud and corruption instances as well as inclusion/exclusion errors.** A grievance redressal system for beneficiaries was set-up in Phase I of the Government's CDCP and will be re-activated and enhanced for Phase II which the Bank is supporting. This system will facilitate the inclusion of potential beneficiaries who feel they have been wrongfully excluded from the program. Inclusion errors will be limited through Spot Checks and other filters provided by the NADRA database. The Operations Manual for this project outlines the criteria for independent operational audit and impact evaluation, the lessons from which will be applied during project implementation and beyond allowing for fraud or corruption to be discovered and addressed. Fraud and Corruption may result in elite capture, the exclusion of the neediest, or misuse of cash payments. Systemic fraud and corruption is also mitigated through the establishment of a system of controls and accountability measures including MIS, Operational and Financial Audits, Spot Checks, Impact Evaluation, and public information to inform all stakeholders of program implementation and results. Fraud and corruption on the payments themselves is mitigated through utilizing the commercial banking sector with clear rules for transparency and accountability as outlined in the contract to be signed with participating banks. A hot line for inquiries on payments will be re-established.

G. Terms and Conditions for Project Financing

79. The proposed project will be financed by IDA through a Flood Emergency Cash Transfer Project of SDR79.5 million (US\$ 125 million equivalent). Portion A of the Credit of SDR51.5 million (equivalent to US\$ 81.0 million), will be on Standard IDA terms, with a 35-year maturity, including a 10-year grace period and a 0.75% service charge and a maximum commitment charge of 0.5%; whereas Portion B of the Credit of SDR28 million (equivalent to US\$44.0 million) , will be on Hard IDA terms, with a 35-year maturity, including a 10-year grace period, a 0.75% service charge, and a maximum commitment charge of 0.5%, and an

interest charge of 3.2%. The project would be implemented over a two-year period, with a Closing Date of June 30, 2013.

80. The project includes effectiveness, disbursement and implementation conditions as follows:

Conditions and Legal Covenants		
Financing Agreement Reference	Description of Condition	Date Due
Section 5.01(a) of the FA	Operational Manual approved by GOP through an endorsement of either the Council of Common Interest or the respective provincial Chief Secretaries	Condition of Effectiveness
Section 5.01(b) of the FA	Qualified Financial Management staff employed at the Cabinet Division.	Condition of Effectiveness
Section 5.01(c) of the FA	GOP, participating provinces, and NADRA entered into Agency Agreements with the Participating Banks.	Condition of Effectiveness
Section 5.01.(d) of the FA	GOP, co-financing donors, and IDA have entered into a MOU committing at least 60% of the overall donors' resources (including IDA') necessary for the financing of the cash transfers under the CDCP.	Condition of Effectiveness
Section IV.B.1(c)(ii) of the FA	Time bound action plan for the development of a future disasters/emergency crisis through the provision of cash transfers, including appropriate mechanism for asset recovery	Condition of Disbursement for Category (2)
Section I.C.1 of Schedule 2 to the FA	Agreement that the responsibility for policy formulation and inter-institutional coordination of the Project rests with CCI.	Implementation Covenants
Section I.C.2 of Schedule 2 to the FA	GOP shall maintain NODMC as an advisory role to CCI, responsible for monitoring and evaluation of the performance of Component 1 of the Project.	Implementation Covenants
Section I.C.3 of Schedule 2 to the FA	GOP shall maintain throughout the period of implementation of the Project, an emergency relief cell within the Cabinet Division, responsible for the carrying out of the technical coordination and day-to-day implementation of Component 1 of the Project,	Implementation Covenants
Section I.C.4 of Schedule 2 to the FA	GOP shall carry out the Project in accordance with the Project Operations Manual.	Implementation Covenants
Section I.D. (a) of Schedule 2 to the FA;	GOP, participating provinces, and NADRA shall enter into a tripartite agreement coordinating their roles and functions for Component 1 of the Project by no later than three months after the Effective Date.	Implementation Covenants
Section E of Schedule 2 to the FA	GOP shall establish management information system (MIS) by no later than three months after the Effective Date.	Implementation Covenants

Section IV.B.2 of Schedule 2 to the FA	No disbursements shall be made for Cash Grants in a given district until: (i) they have undergone statistically representative third-party spot-checks of the list of proposed recipients of Cash Grants, prepared by the respective province on the basis of the house damage assessment in Notified Flood Affected Districts; (ii) have a proposed list of Cash Grant beneficiaries with a margin of inclusion/exclusion and errors/deviations, as evidenced in the third-party spot-checks and (iii) have the aforementioned list of Cash Grants beneficiaries cross-checked with NADRA's database to confirm the recipients' residence within Notified Flood Affected Areas, exclude Well-Off Households and include the Most Vulnerable Households.	Implementation Covenants
Section I.B.(b) of the Schedule to the PA	NADRA shall prepare the Project Operations Manual.	Implementation Covenants
Section I.B.(c) of Schedule to the PA	NADRA shall establish an easily accessible grievance redressal mechanism by no later than three months after the Effective Date.	Implementation Covenants
Section I.C (a) of the Schedule to the PA	NADRA shall engage by no later than three months after the Effective Date the service of consultancy firm to carry out Operational Audits of the Project.	Implementation Covenants
Section I.C.(b) of the Schedule to the PA	NADRA shall engage by no later than May 30, 2011 the services of a consultancy firm to carry out the ex-post impact evaluation of the Project.	Implementation Covenants
Section I.D of the Schedule to the PA	NADRA shall develop a public information campaign with the coordination with the PDMAs, by no later than August 31, 2011 and thereafter carryout the campaign throughout the Project.	Implementation Covenants
Section III.2 of the Schedule to the PA	NADRA shall develop a simplified Procurement Manual by no later than one month after the Effective Date.	Implementation Covenants
Section III.3(a) of the Schedule to the PA	NADRA shall maintain a procurement website easily accessible to the public with updated procurement information.	Implementation Covenants
Section III.3(b) of the Schedule to the PA	NADRA shall establish an independent procurement complaint handling mechanism no later than one month after the Effective date.	Implementation Covenants

Annex 1: Detailed Description of Project Components
PAKISTAN: Flood Emergency Cash Transfer Project

1. The project consists of two components: Component 1 would provide cash grants to re-targeted beneficiaries through the banking system. Component 2 would finance technical assistance to enhance program management, transparency and accountability at the federal, provincial and local levels through capacity building, communication and public information, monitoring and evaluation, as well as accessible advisory services for beneficiaries (Component 2).

Background

A. Flood Emergency Background

2. As a response to the recent flood crisis, the Government of Pakistan initiated a Citizen Damage Compensation Program (CDCP) which provided cash grants to support the flood affected families during the relief stage. Phase I of the program was managed at the federal level by the Cabinet Division in partnership with the provincial governments through their respective Provincial Disaster Management Authorities (PDMAs). For identification and verification of the beneficiaries within the affected areas, the program utilized the CNIC registration data of National Database and Registration Authority (NADRA). In this initial phase a cash grant of PRs. 20,000 was provided to each eligible family in the flood affected areas. In pursuance of the decision by the Council of Common Interest, the Federal Government and respective Provincial Governments co-financed the program by providing equal share.

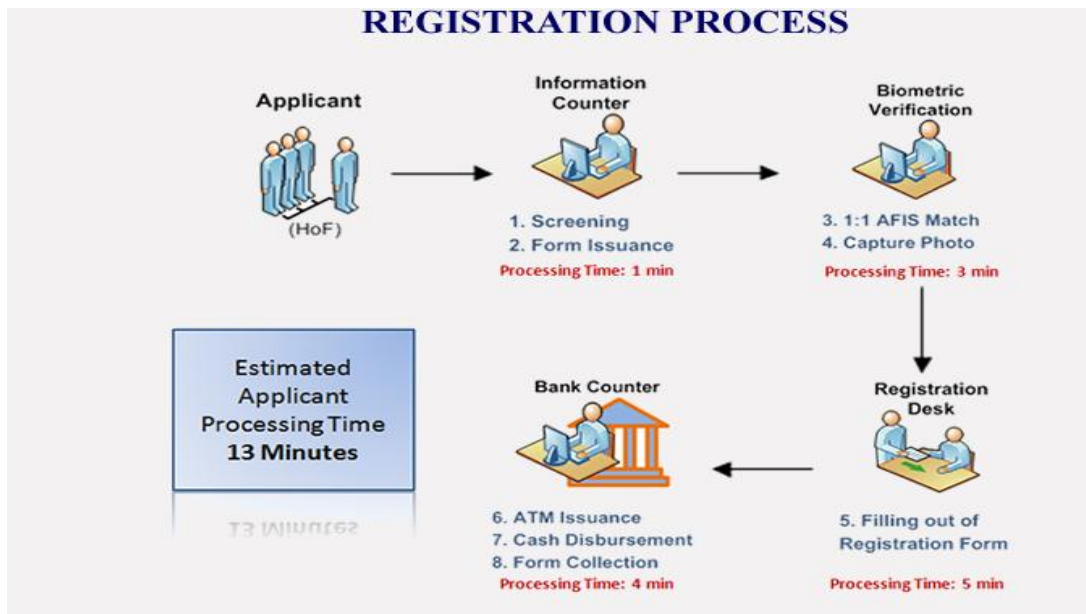
3. The response to a disaster is typically divided into three phases: First, the relief phase (up to 6 months) provides humanitarian aid such food, shelter, drinking water etc. This is then followed by a recovery phase (6-24 months) which focused on recovering livelihoods by promoting self-reliance and rebuilding livelihoods through cash transfers to households and re-establishing essential services such as health, education, water/sanitation, and primary infrastructure (road repair, transport, communication). During this phase, it is essential to build (if not already there) local capacities to sustain the longer third phase – the re-construction and development phase. This usually starts after two years of relief and recovery.

4. As Phase II of the CDCP, the Government of Pakistan seeks to provide total additional payments of PRs. 40,000 to flood affected households with housing damage and also to particularly vulnerable flood affected households without housing damage to assist them in the early recovery stage. The proposed project will contribute to the cost of cash grant disbursements to be paid in Phase II. In addition to this, the project will also provide technical assistance to the implementing agencies to ensure effective implementation of this phase. In the medium term, the project would further enhance the institutional capacity of the federal and provincial governments and agencies to respond to crises in an effective way. It is envisioned that a longer term safety net system being developed under Benazir Income Support Program (BISP) will also benefit from the experience of this crisis to be scaled up and down as future needs arise.

B. Phase I of the Citizen Damage Compensation Program

5. Targeting for Phase I of the CDCP program was geographic where the respective provinces notified calamity hit areas down to the village and union council level. NADRA through its CNIC database identified head of families who had either their temporary or permanent address from these areas. The list was then verified by the respective provincial governments. Some of the provinces (e.g. Khyber Pakhtunkhwa, Gilgit Baltistan & AJK) adopted a different strategy by conducting their own survey of partially and completely affected houses and then shared those lists with NADRA to identify and verify families through the CNIC. Some additional duplication and mismatch filters were also applied before final authentication of these heads of families.

6. For enrollment of these beneficiaries, NADRA was given the responsibility of setting up registration camps/sites²³ at central location in the flood affected areas. All centers followed standardized steps as shown in the registration process diagram

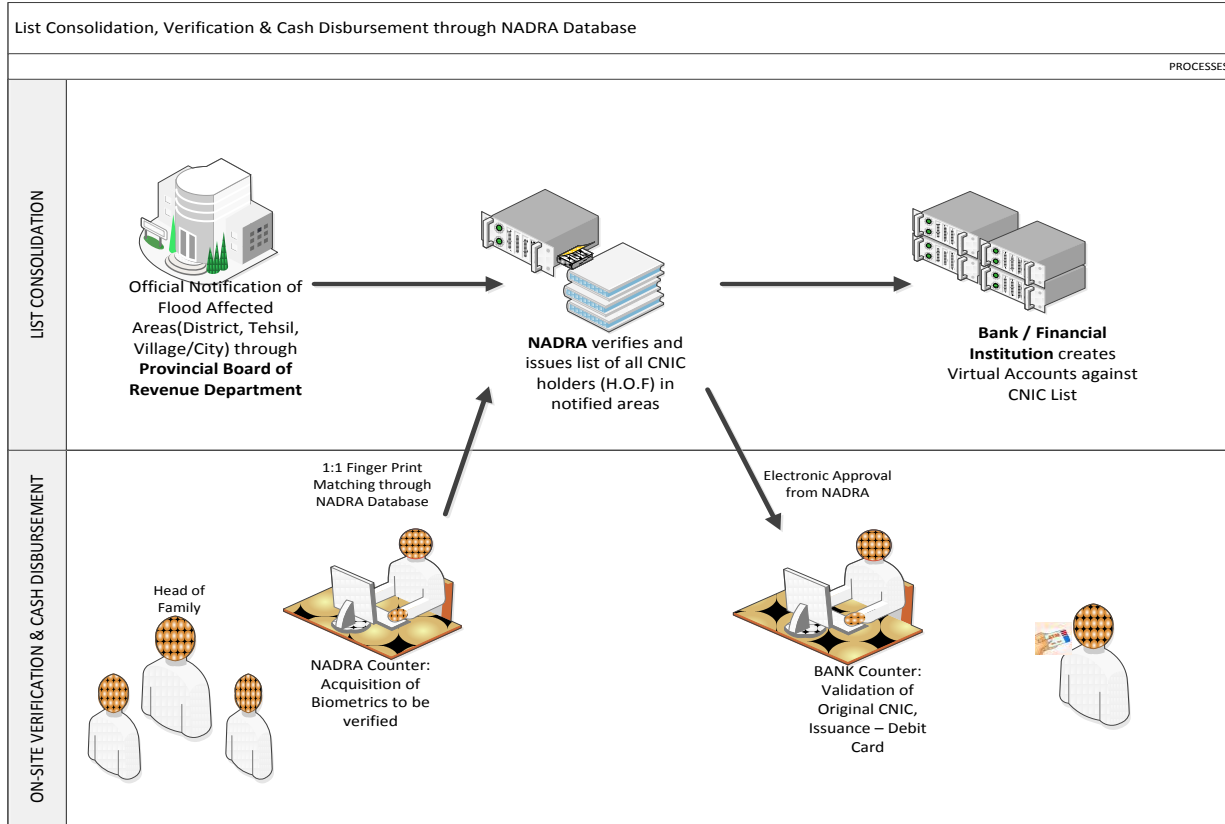


7. The process started with applicant going to the information desk where his/her CNIC number is verified against the beneficiary list as shown in the diagram below. If CNIC matches with any one of those in the list, the next counter at the registration center would verify his/her fingerprint biometrics with the CNIC database. On verification of the biometrics, the beneficiary would be issued a unique ID number which s/he could take to the partner bank's²⁴ counter set up in the registration center for issuance of a Debit Card (called Watan Card) with a PIN. Before issuance of the ATM card, the beneficiaries also filled out a registration form that recorded

²³ NADRA has set up 98 registration camps across the country

²⁴ For the first phase of the CDCP, the Government engaged a consortium of commercial banks for distribution of the Watan Cards and disbursement of the grant through virtual accounts created for each Watan Card holder.

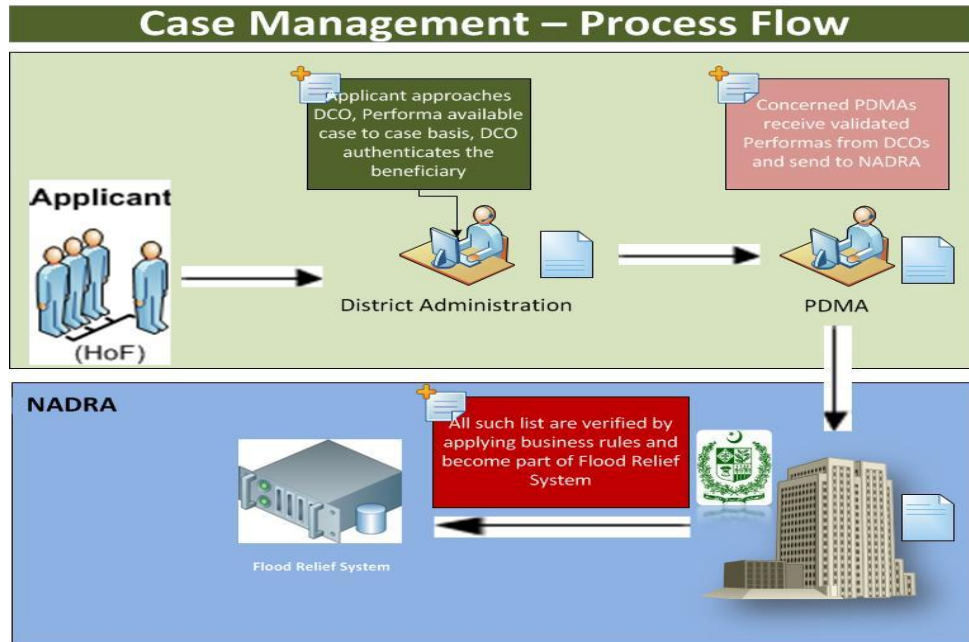
characteristics of the family along with information on certain vulnerability indicators. Within 48 hours of issuance of the Watan Card, the money would be transferred into an associated virtual account²⁵ for collection by the beneficiary. The Watan Card holder would have both the option of withdrawal through a regular ATM or Point of Sale (PoS) machines placed by the Bank at the registration centers.



8. For the first 3 months of the program, there was no grievance and appeals mechanism in place. Though there were three different helplines²⁶ to assist the potential beneficiaries but these were limited to providing information regarding the registration and payment processes. The first setup for recording grievances was introduced in November 2009 where appeals against exclusions were entertained as shown in the diagram below. The mechanism adopted by respective provinces, however, varied and was not well publicized. This window of appeals will continue until the end of March but the closing date varies from province to province. No new beneficiary will be verified/enrolled in Phase I of the program after the respective provincial deadlines.

²⁵ Virtual accounts are special purpose temporary accounts created for the transfer of payments. These accounts cannot be used as regular drawing accounts.

²⁶ NADRA, Partner Commercial Bank & respective PDMA were maintaining helplines



C. Flood Emergency Cash Transfer Project Outline

9. Phase II of the Citizen Damage Compensation Program is the Flood Emergency Cash Transfer Project. The Flood Emergency Cash Transfer Project consists of two components: Component 1 would provide cash grants to re-targeted beneficiaries through the banking system. Component 2 would finance technical assistance to enhance program management, transparency and accountability at the federal, provincial and local levels through capacity building, communication and public information, monitoring and evaluation, as well as accessible advisory services for beneficiaries.

Component 1: Effective delivery of cash grants to flood affected families (total estimated cost – US\$115 million)

Beneficiary Re-Targeting & Validation: (Phase II)

10. **Targeting and Payment Amount:** The objective of the targeting of Phase I of the CDCP was mainly to ensure rapid emergency support for recovery of flood affectees, hence geographical targeting was used. The local authorities identified the flood affected areas and generated lists of beneficiaries. These lists were then sent to NADRA for verification from the national ID database and once verified, the Watan ATMs card was issued to the beneficiaries who subsequently withdrew cash from the designated commercial bank ATM/POS machine.

11. Phase II payments will be targeted to households based on housing damage assessments to refine the geographic targeting criteria used in Phase I.

12. The provinces have been or are in the process of carrying out housing damage surveys in flood affected areas. Those households with housing damage will form the list of potentially

eligible households in that province. These lists will undergo two sets of verifications. The first is with the NADRA national ID database to ensure that only household heads, which exist and reside in the flood affected areas, are on the list. The second will be spot checks carried out on a sample from the list by an independent third party to verify if the housing damage data is correct. If the spot checks meet the standards agreed upfront, the list will be accepted.

13. NADRA in collaboration with the respective PDMA's and District Governments will initiate a **public information campaign** in coordination with PDMA's, to inform beneficiaries about the processes for Phase II of the program. Parallel to this, NADRA will also communicate through letters to all Phase I beneficiaries about their eligibility status for Phase II. For those who would want to enquire, a helpline along with an SMS and web based verification facility will be provided. The eligible head of families will also be invited to visit NADRA centers and to re-validate their Watan Cards to access the subsequent payments. This will also be an opportunity for those who have lost their cards to have new cards issued. The re-validation process will, as the initial registration process, be with bio-metric validation of the individual beneficiaries.

14. **Payment Mechanisms Payment System:** Payments will be delivered using the same system as Phase I, wherein beneficiaries are paid using a ATM/debit card issued to them during Phase I. Phase II beneficiaries will be re-certified by NADRA if necessary and informed of the amount, payment period, payment points as well what documentation to bring to the payment center via a communications campaign. Informed by NADRA of the list of beneficiaries, Partner Banks will set up Point of Sale and ATM machines at payment centers, create virtual accounts for payment and activate debit cards enabling beneficiaries to withdraw their funds. Help lines will be set-up by NADRA and the Partner Banks to support beneficiaries who encounter difficulties with withdrawing their funds, lose their debit cards or PIN or experience other issues related to payment.

15. **The banks** will provide timely updates to NADRA, PDMA's and Cabinet Division concerning payments released to each individual (i.e., withdrawn by the beneficiary) for reconciliation purposes. Progress of releases and disbursement made through the fund is consolidated and disseminated by ERC Cabinet Division.

16. **Grievance Process:** Given the issues identified through the rapid assessment of Phase I, it has been agreed that the Government has to: 1) Settle all legitimate grievances of Phase I with remaining GoP funds, and 2) Make a feasible proposal how to deal with KP paper applications yet to be processed.

17. **Grievance Redressal System:** Grievance redressal centers will be opened and staffed by NADRA and District officials (DCOs). These will be responsible for addressing grievances related to eligibility, and inform appellants as to why they are excluded. Depending on the nature of the grievance, different stakeholders are responsible for providing solution to the grievances:

- **Grievances related to CNIC's** - NADRA will ensure the updating of CNICs, as appropriate, including changes in family status, updating address, family name etc. NADRA will also be regularly updating the beneficiary database, as per the updated lists

received from the PDMA's. NADRA will also operate help lines for beneficiaries to address grievances related to CNIC details.

- **Grievances related to eligibility/targeting.** The District Administration will be the key local body collating the beneficiary lists based on household damage. The beneficiaries whose names do not appear in the lists will first check with their local authority at the moaza/goth/village level and request for an update. This information will then be passed on the District Administration, who will subsequently inform the PDMA's to update the beneficiary lists. These updated beneficiary lists will then be sent to NADRA, who will then verify and include eligible beneficiaries into the formal lists for generation of payments and issuance of Watan cards. Where the District Administrations fail to effectively manage these grievances, the respective PDMA will be responsible for ensuring the capacity and transparency of the process.
- **Grievances related to payments** – The partner commercial banks be responding to grievances related to payments, such as lost Watan cards, forgotten PIN numbers etc., the Partner Banks will operate grievance offices and dedicated hotlines. These help lines will use an extensive public information campaign, in coordination with PDMA's to provide guidance about the different grievance processes.

18. **Social Accountability and Transparency:** To ensure as much transparency of the program as possible the eligibility criteria and beneficiary lists will be published on the NADRA website and in more basic hard copy notices in villages. In addition, the program implementing agencies will collaborate with NGOs in the country who have wide coverage in the flood affected areas to engage community organizations and other local institutions, e.g. council of elders, in the grievance redress process, communication/outreach and evaluation. This will also account as far as practical for gender issues and a voice for women in the process. Furthermore, a mobile-based SMS enquiry and response system has been set up by NADRA. For payment concerns, the banks have already set up toll-free telephone help-lines to record and answer complaints. NADRA will provide web-based updates on program progress on a dedicated website of the program. For more details on Monitoring Arrangements, see Annex 7.

Component 2: Strengthen program management, monitoring and evaluation (total estimated cost - US\$10 million).

19. This component would finance consulting services, non-consultant services, goods/materials, training/workshop and other capacity building, as well as incremental operating costs to strengthen the capacity of participating entities in managing the program, and in monitoring and evaluation its implementation and results. The main areas of technical assistance include:

- **Operational Audits:** The operational audits, or spot checks, would be carried out quarterly with the objective to review the performance of the program along the program cycle as outlined in the Operational Manual. This would include beneficiary selection, payments, grievance processes, public information, management and oversight - through two parallel activities: It would monitoring the efficiency (time wise) and accuracy (with respect to the operations manual) of the project cycle stages, to provide regular and timely feedback to NADRA and Cabinet Division and recommend improvements for the processes.

- **Communications and Public Information.** To support the operational process and to minimize public grievances, NADRA will be responsible for the development of an effective communication strategy in coordination with PDMA's, designing and preparing materials for the public information campaign and sharing these with the provincial governments for dissemination, providing any necessary training and guidance. The communication strategy would include the contracting of professional services to communicate the main messages at national, regional and local levels, and also help design the materials etc. It would also see to systematically assess the communication needs of the beneficiaries and general public through outreach services. In addition, NADRA would provide an electronic interface to respective stakeholders for online reporting of progress, web and SMS-based public interfaces for potential beneficiaries, and a helpline for timely response to program related inquiries. This communication campaign will be supported by parallel financing from DFID to the International Organization for Migration (IOM). IOM will work with NADRA on key aspects of communication, including media campaigns and linking beneficiaries to existing advisory services.
- **IT software development and hardware.** This would complement the program's existing Management Information System (MIS) and help develop additional modules (e.g. for grievance redressal) including decentralized utilization of the MIS.
- **Strengthening of Cabinet Division.** This would include some short term and long term consultancies that would support Cabinet Division in its coordinating and policy preparing functions (for NODMC), as well as in strategic questions on future disaster management, including the design of the action plan, with regard to cash transfers. Furthermore, it would strengthen the financial management capacity of the Division through soft and possibly hardware acquisition.
- **Strengthening of PDMAs/DCOs.** Several PDMAs are newly created institutions (e.g. in Punjab, Sindh) whose capacity needs to be enhanced through technical assistance, training and possibly hard and software to play an active part in this and future emergency cash transfer programs. The technical assistance would enhance their roll in operations, outreach, communication and monitoring of the program. DCOs would also be provided with training and materials on their role in such a program.
- **Impact Evaluation:** The impact evaluation will provide statistically robust information on the short and medium term effects of Phase I and Phase II of the cash transfer program on flood affected households and constituent individuals. It will also explore the extent to which any households have been inappropriately excluded from the program and if so whether there are any common factors leading to their exclusion and how this could be avoided in any future emergency relief interventions. The key questions that the evaluation should answer include the following: 1) How was the cash grant used, and what was the short and medium term impact (on consumption, health outcomes, investment and assets, labor, coping strategies) on beneficiary households?; 2) Did the cash grant have any negative or positive spillover effects at the local community/economy level?; and 3) What lessons can be learnt about this program to help

inform the response of Government and the international community response to future emergencies either in Pakistan or elsewhere?

20. The evaluation will be based on an expansion of the quantitative household survey that was started in January / February 2011 as part of the rapid assessment evaluation of Phase I. The sample size of beneficiary and non beneficiary households will be larger to ensure that it provides robust estimates of the impact of the program at the province and national level. To explore the short and longer term effects of the program, there will be several rounds of survey: as soon as possible after disbursement, and then repeated after 1 year. For more details on the evaluation, see Annex 2.

- **Program management and implementation.** This would include international and national technical experts and fiduciary consultants to support program management and implementation, as needed.
- **Incremental operational costs** would cover expenditures for salaries of contractual staff (other than consultants), per diem and allowances, office rental, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance of office equipment and vehicles, advertising expenses and bank charges, insurance, media projections, newspaper subscriptions, periodicals, printing and stationary costs in connection with the management and coordination of Project activities, which expenditures would not have been incurred absent the Project, but excluding salaries of the Recipient's civil servants.
- The component would be implemented by NADRA as it is mandated to carry out the operational part of the CDCP. To manage the component, NADRA would hire a dedicated project coordinator and other specialists as necessary. Procurement and Financial management would be carried out through NADRA's dedicated departments as described in Annexes 6 & 7. NADRA would report regularly to Cabinet Division on progress of implementing the activities under the component, as well as to the Bank.

Annex 2: Results Framework and Monitoring
PAKISTAN: Flood Emergency Cash Transfer Project

PDO	Project Results Indicators	Monitoring Mechanism
To support the recovery of flood affected households by assisting the Government of Pakistan in strengthening the implementation of its Citizen's Damage Compensation Program.	<ol style="list-style-type: none"> 1. At least 1 million flood affected, eligible households as per the re-targeting criteria benefit from cash grants. 2. Targeting efficiency: Average baseline poverty score of CDCP II households will be lower than average baseline poverty scores of non CDCP families in each province. 3. At least 70% of beneficiaries express satisfaction with the program delivery 	<ol style="list-style-type: none"> 1. Project monitoring report 2. Program evaluation 3. Beneficiary survey/evaluation
Intermediate Outcomes	Intermediate Results Indicators	Monitoring Mechanism
Component 1: Effective delivery of the cash grants to flood affected families.	<ol style="list-style-type: none"> 1. 85% of families pick up cash grants within stipulated timelines. 2. Public information campaign carried out as per the agreed communication strategy. 	<ol style="list-style-type: none"> 1. Project administrative data 2. Project monitoring report
Component 2: Strengthen program management, monitoring and evaluation	<ol style="list-style-type: none"> 1. Operational Audit regularly carried out, and recommendations incorporated into program implementation. 2. Management information system strengthened, as measured by MIS modules for targeting, enrolment etc. developed, MIS training provided, computer system in place, etc., according to the project activity. 3. Functioning grievance mechanisms for re-targeting and payments established and accessible. 4. Program evaluated, and results report published. 5. Mechanism agreed and established to enable GOP to effectively respond to potential future disaster recovery. 	<ol style="list-style-type: none"> 1. Project monitoring report and administrative data 2. Project monitoring report 3. Project administrative data 4. Project monitoring report 5. Project monitoring report

Arrangements for results monitoring

	Target Values					Data Collection and Reporting		
	Baseline	Yr 1	Yr 2	Yr 3	Yr 4	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
The development objective of the project is to support the recovery of flood affected households by assisting the Government of Pakistan in strengthening the implementation of its Citizen's Damage Compensation Program.								
Project outcome indicator								
Project outcome 1: At least 1 million flood affected, eligible households as per the re-targeting criteria benefit from cash grants.	0	0	1,000,000	1,000,000			Project monitoring report	
Project outcome 2: Targeting efficiency: Average baseline poverty score of CDCP II households will be lower than average baseline poverty scores of non CDCP families in each province.	0	0	10%	10%			Project Evaluation	
Project outcome 3: At least 70% of beneficiaries express satisfaction with the program delivery.	0	0	70	70			Beneficiary survey/project evaluation	
Intermediate outcome indicator								
Component 1: 1. At least 85% of families pick up cash grants within stipulated timelines.	0	98	85	85			1. Project administrative data	
2. Public information campaign carried out as per the agreed communication strategy.	No	Yes	yes	Yes			2. Project monitoring report	

Component 2: 1. Operational Audit regularly carried out, and recommendations incorporated into program implementation	No audit		At least 2 audits	At least 1 audit			1. Project monitoring report and administrative data	
2. Management information system strengthened, as measured by MIS modules for targeting, enrolment etc. developed, MIS training provided, computer systems in place, etc., according to the project activity.	Partial	Full	Full	Full			2. Project monitoring report	
3. Functioning grievance mechanisms for re-targeting and payments established and accessible.	Partial	Full	Full	Full			3. Project administrative data	
4. Program evaluated, and results report published.	Partial	Partial	Full	Full			4. Project monitoring report	
5. Mechanism agreed and established to enable GOP to effectively respond to potential future disaster recovery.	0	0	1	0			5. Project monitoring report	

CDCP Impact Evaluation

1. The evaluation is designed to answer the following question: what lessons can be learnt about the CDCP program, its approach and impact upon those affected by the flood to help inform the response of Government and the international community response to future emergencies either in Pakistan or elsewhere?
2. This evaluation will provide statistically robust evidence on the effects of Phase I and Phase II of the cash transfer program on flood affected households and constituent individuals in both the short and the long term. It will also explore the extent of exclusion errors and identify any systematic differences between beneficiaries and non-beneficiaries as well as any implications for improving coverage in future emergency relief interventions.
3. The evaluation is divided into two components. Component 1 will include fielding and analysis of a statistically representative household survey covering Phase I of the program. Component 2 will consist of impact evaluation of CDCP Phase I and Phase II transfers.
4. **Component 1: Continue Survey for CDCP Phase I:** This component will explore the household survey fielded prior to the initiation of Phase II transfers. This survey, representative of flood affected areas, will cover approximately 6,000 households (including households living in IDP camps) living in flood affected districts in 4 provinces Punjab, KP, Balochistan, Sindh and Gilgit Baltistan) and AJK) and will be representative at the province and all province level.²⁷ Some questions to be explored include: how well were the Phase I transfers targeted? What were the characteristics of the beneficiaries and how did they differ from those of non-beneficiaries? How did beneficiaries plan to use transfers? Were there any perceived negative impacts of the cash transfer? How did households respond to the flood? What types of coping mechanisms were used by households? What percentage of the transfers was spent?
5. **Component 2: Impact Evaluation:** Using follow-up surveys this component will apply ex-post impact evaluation techniques (such as propensity score matching) to assess the impact of the cash transfers on families' coping strategies, adult labor supply, investment in productive assets, and possibly effects on the community/local economy. The impact evaluation will measure the impact of Phase I transfers (PRs. 20,000) as well as the differential impact of Phase II transfers (Rs. 40,000); if possible, the evaluation would also assess the effect of offering advisory services to beneficiaries in Phase II. This ex-post impact evaluation will be based on two follow-up surveys of households interviewed in Component 1.
6. The impact evaluation will consider the program's impact on a range of household and community level indicators in the short term and the long term. As coping strategies employed by households might affect male and female members differently, the evaluation will also seek to uncover possible gender differences in

²⁷ This sample size could change; power calculations (taking into account sample design) will be undertaken to determine an adequate sample size.

impacts on male and female household members. Specifically, the impact evaluation will examine the following groups of program effects:

- a. **Impact on household consumption:** Impact evaluation of Mexico's *Oportunidades* (or *Progresa* as it was initially called) showed that the median food expenditures were 13 percent higher in program households when compared with households in control areas.²⁸ This impact evaluation will measure the impact of cash transfers on food consumption by flood affected households. Other evaluation questions include what percentage of cash transfers are consumed in the short and long term? Again, evidence from Mexico's *Oportunidades* program found that in rural areas households consumed about 88 percent of the transfers and invested the rest in microenterprise and agriculture activities.²⁹
- b. **Other coping strategies:** These would include the impact on children's school enrolment and children's participation in work activities.
- c. **Employment and participation in income generating activities:** Provision of cash has the potential to discourage work by adults in beneficiary households. The evidence from developing countries shows that there are very few cash transfer programs (the evidence is from conditional cash transfers programs) that discouraged adult work. This impact evaluation will measure the impact of cash transfers on hours worked by adults as well as earnings; floods can dampen wages in the local labor market so it would be important to assess impact on earnings. The evaluation will also measure impact of the cash transfer program on household members' participation in microenterprise activities or other home-based work.
- d. **Use of cash transfers:** Related to the above categories, the impact evaluation will investigate how cash transfers are used, for example, percentage of households who pay off debts, percentage of households experiencing asset damage who invest in repair/recovery of asset, investment in productive assets. If feasible, the effect of advisory services will also be estimated.
- e. **Impact at the community level:** One concern with cash transfer programs is that the injection of cash in the local economy could be inflationary. On the other hand there is evidence of positive spillover effects from the cash transfers on the local economy. An evaluation of a USAID funded cash transfer program to 100,000 poor rural flood affected families in Mozambique found that 55% of the grants were spent in the villages thus generating significant multiplier effects on the local economy³⁰. Floods can also adversely affect the local labor market.³¹ The impact evaluation would seek to measure the effect of cash in revising the local economy and stimulating wages and also assess if there are any inflationary pressures arising from the injection of cash.

7. The household surveys to be fielded include:

²⁸ Skoufias, Emmanuel. 1999. PROGRESA and its impacts on the welfare of rural households in Mexico. IFPRI.

²⁹ Gertler, Paul, Sebastian Martinez and Marta Rubio-Codina. "Investing cash transfers to raise long term living standards." Report WPS3994-IE. World Bank, 2006

³⁰ Abt Associates, 2002

³¹ Mueller (2009) found that in Bangladesh the 1998 floods resulted in long-term declines in wages where non-agricultural labor markets are more severely affected.

- a. Component 1 data collection Round 1: complete a statistically representative survey covering beneficiaries and non-beneficiaries as soon as possible before Phase II CDCP transfers to beneficiaries commence (likely February 2011-May 2011).
 - b. Component 2 data collection Round 2: field a follow up survey (preferably, a panel of households) 2-3 months after Phase II CDCP payments end (tentatively August-October 2011)
 - c. Component 2 data collection Round 3: field a second follow-up survey 1 year after the first survey (that is, February 2012-May 2012).
8. The follow-up data collected in Rounds 2 and 3 will include at least an element of repeat surveying of households (ie. a panel survey) to allow impacts at the household level to be explored over time. It is anticipated that part of the panel exercise will include those households surveyed under the rapid assessment evaluation of Phase I.
9. Round 1 will allow the measurement of impact of Phase I of CDCP transfers. Field work in Round 2 will enable assessment of short term impacts of Phase II CDCP transfers. Field work in Round 3 will enable the measurement of medium to long term impact of CDCP transfers.

Annex 3: Summary of Estimated Project Costs
PAKISTAN: Flood Emergency Cash Transfer Project

(US\$ million)

1	Component 1 (Cash Grants)	
1.1	Cash Grants to the flood affected households	115.00
	<i>Sub Total (Component 1)</i>	<i>115.00</i>
2	Component 2 (Program Management, Monitoring and evaluation)	
2.1	Operational Audits	0.35
2.2	Communication & Public Information Campaign	1.00
2.3	IT Software Development & Hardware	2.18
2.4	Strengthening of Cabinet Division	0.32
2.5	Impact Evaluation	2.00
2.6	Individual Consultants	0.15
2.7	Incremental Operating Costs	4.00
	<i>Sub Total (Component 2)</i>	<i>10.00</i>
	<i>Total</i>	<i>125.00</i>

Annex 4: Operational Risk Assessment Framework (ORAF)

PAKISTAN: Flood Emergency Cash Transfer Project

Project Development Objective(s)				
The development objective of the project is to support the recovery of flood affected households by assisting the Government of Pakistan in strengthening the implementation of its Citizen’s Damage Compensation Program.				
PDO Level Results Indicators:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">(a) At least 1 million flood affected, eligible households benefit from cash grants.</td> </tr> <tr> <td style="padding: 2px;">(b) Targeting efficiency: Average baseline poverty score of CDCP II households will be lower than average baseline poverty scores of non CDCP households in each province.</td> </tr> <tr> <td style="padding: 2px;">(c) At least 70% of beneficiaries express satisfaction with the program delivery.</td> </tr> </table>	(a) At least 1 million flood affected, eligible households benefit from cash grants.	(b) Targeting efficiency: Average baseline poverty score of CDCP II households will be lower than average baseline poverty scores of non CDCP households in each province.	(c) At least 70% of beneficiaries express satisfaction with the program delivery.
(a) At least 1 million flood affected, eligible households benefit from cash grants.				
(b) Targeting efficiency: Average baseline poverty score of CDCP II households will be lower than average baseline poverty scores of non CDCP households in each province.				
(c) At least 70% of beneficiaries express satisfaction with the program delivery.				

Risk Category	Risk Rating	Risk Description	Proposed Mitigation Measures
Project Stakeholder Risks	High	<ol style="list-style-type: none"> 1. There is a possible resistance by beneficiaries who may be excluded due to the introduction of the new targeting criteria. 2. Ensuring smooth donor coordination and harmonization is required during the design and implementation of Phase II of the CDCP. 	<ol style="list-style-type: none"> 1. The Bank will support NADRA to help formulate the effective Public Information Campaign (PIC) strategy and oversee the implementation which will disclose the new targeting criteria. 2. The team will continue regular information sharing, extensive discussions, and joint mission with DPs. TF proposals have been developed to support collaboration and information sharing among DPs.
Implementing Agency Risks	High	<ol style="list-style-type: none"> 1. Despite unanimous buy-in from the major political parties and provinces for the program, weak high-level coordination and collaboration between Federal and Provincial governments may delay the delivery of the program to the needy. 2. Two implementing agencies (Cabinet Division and NADRA) with a different level of operational experience in working with the Bank and other DPs will be challenging. In addition, overall program monitoring is weak. 	<ol style="list-style-type: none"> 1. The project will assist in the development of a comprehensive Operational Manual highlighting systems and processes, including for public communications and grievance redressal. 2. Component 2 will support intensive TA to the implementing agencies to help develop the lacking capacity. The Bank team will also continue to play a key coordinating role between GoP and DPs. The Operational Manual will also define the roles of each agency and describe various procedures. Third party information will provide due diligence of all

		3. There is risk of fraud and error in the registration (inclusion and exclusion error) and the payment process. There are also challenges encountered by beneficiaries in the proficiency required to use the POS/ATM machines for withdrawal of money.	implementing agencies in adhering to the processes and procedures established in the Manual. 3. Improved targeting and a widely publicized grievance redressal system through PIC will help mitigate risk of inclusion and exclusion error. Payments would be made through the commercial banking sector with clear rules as outlined in contract with participating banks.
Project Risks			
• Design	Medium-I	Phase I of the CDCP has been delivered quickly to the flood affected population, therefore, there is no major design complexity. However, it is still facing challenges with regard to public information, grievance redressal and coordination among stakeholders.	The project aims to improve the targeting mechanism of the GOP's program, thus, technical complexity is considered to be low. NADRA, one of the implementing agencies, is technically very competent and successfully completed Phase I. TA will support building capacity for the implementing agencies and future disaster response programs.
• Social and Environmental	Medium-L	Clear dissemination of the program objective and targeting criteria through PIC should minimize social tensions.	The program will publicize verifiable and observable eligibility criteria and carry out beneficiary assessment during implementation. Grievances will be heard by a committee of locally respected people.
• Program and Donor	High	There is high interdependence with other DP's projects, supporting advisory services and beneficiary awareness, as part of the GOP's relief program.	The Bank strongly requested GOP to have MOU with each contributing DP to clarify its role and financial arrangements.
• Delivery Quality	Low	There is existing capacity, which will be scaled-up in the areas of implementation, monitoring and evaluation to support future cash transfer programs for recovery.	Component 2 of the project will extensively support capacity building through TA for potential future cash transfers in disaster situations.

Overall Risk Rating at Preparation	Overall Risk Rating During Implementation
High	High

Annex 5: Financial Management and Disbursement Arrangements

1. The project will be implemented by the Cabinet Division and NADRA. While Cabinet Division will be in charge of the financial flows of the cash transfers (Component 1), NADRA will be in charge of managing the technical assistance (Component 2).

2. The financial management systems and operational audit including review of accountability mechanisms, grievance redressal system and public disclosures as detailed in the operations manual would provide a reasonable assurance in this project that funds are used for intended purposes.

A. Cabinet Division

3. **Executive Summary:** The Cabinet Division would be implementing the component that involves delivery of cash grants to the beneficiaries. The detailed Operational Manual is being developed by NADRA for delivery of cash and monitoring thereof, which will be critical to ensure accountability in this project and it will be reviewed and approved by the Bank before disbursement of the project. The existing staff in the Accounts Section of the Cabinet Division (Emergency Response Cell - ERC) which operated the CDCP Phase I cash transfer disbursements will be supplemented by additional staff as detailed below. Cabinet Division has not implemented a Bank-financed project before this. Cabinet Division's audit has been conducted up to FY' 2009/10 by the Auditor General of Pakistan and there are no issues that could have an impact on the project. Report based disbursement would be used for the project.

4. Strengths and Weaknesses

Strength: Operational audits and spot checks would provide reasonable assurance that the selection of beneficiaries is appropriate and funds are reaching the beneficiaries as intended.

Weakness: The current staff will need to be supplemented by short term specialist staff appointed under TA to enable Cabinet Division (ERC) to effectively perform the additional responsibilities including the management of funds from several development partners.

5. Risk Analysis

Risk	Initial FM Risk	Risk Mitigation	FM Risk After Mitigation	Condition for Effectiveness
Inherent Risk				
Country level	Substantial/Moderate			
Control Risk				
Budgeting	Moderate			
Accounting	Moderate			
Internal control	Substantial	Adequate fund flow mechanism in Operations Manual	Moderate	Yes

		and adequate staffing		
Funds flow	Substantial	1.Adequate fund flow mechanism in Operations Manual and adequate staffing 2.Time bound action plan for the development of a future disaster response through cash transfers	Moderate	1.Yes 2.Condition for disbursement – for Category 2
Financial reporting	Moderate			
Auditing	Moderate			
Detection Risk	Moderate			
Residual FM Risk Rating	Substantial		Moderate	

6. **Staffing:** Currently, there are two personnel in the Accounts Section of the Emergency Response Cell of the Cabinet Division i.e. an Accounts Officer and an Assistant. Both have long experience of Government’s financial management system and they worked on CDCP Phase I. The Accounts Officer is an SAS (Subordinate Accounts Service) qualified accountant. These two personnel have experience of working on CDCP Phase I and would be share the additional work load of the project with additional FM staff to be provided under Component 2 TA – a Financial Management Specialist and an Accountant - to handle effective delivery and reporting in respect of cash relief to the flood affectees. The Accounts Officer reports to the Director General (ERC) through the Deputy Secretary (ERC) as would the additional staff. This staffing would be adequate after additional staff has been engaged. Salaries of additional staff may be pre-financed by the Government and subsequently claimed as retroactive financing in line with the Financing Agreement of the project.

7. **Accounting Policies and Procedures:** Government’s cash accounting system is used in the Cabinet Division. Separate books of account would be kept for the project using New Accounting Model introduced under PIFRA. The Operational Manual being developed for the project would have a chapter on cash transfers. PIFRA would be requested to computerize project accounts as has been done for some other Bank projects. This would provide reasonable assurance on the adequate accounting of the project finances. Expenditure would be recorded in the books of the project only when the beneficiaries have withdrawn the funds from the participating banks and such reports in the agreed formats have been received by the Cabinet Division from the participating banks.

8. **Fund Flow Arrangements:** A segregated Designated Account (DA) would be opened by the Cabinet Division in which the funds would be received from IDA to be used for financing of cash transfers and incremental operating costs. The account would be jointly operated by two senior officials of the Cabinet Division. The DA shall be opened by following the Government procedures laid down by the Finance Division, Government of Pakistan relating to the maintenance and operation of revolving fund accounts of IDA/IBRD/ADB credits and loans. Separate accounts would be opened for other donors who would contribute towards the program in line with the Memorandum of Understanding to be signed between the donors. USAID

has confirmed its participation in the program while DfID, Italy, France and Australia would advise later.

9. Funds for cash transfers will be managed much as they were in Phase I, which was not financed by the Bank. The Federal Finance Division would allocate the necessary Federal funds for the anticipated CDCP cash transfers to the Cabinet Division Demand. The 'Relief Account for Flood Affected Beneficiaries 2010' is being operated by the Cabinet Division where the federal and provincial contributions would be received. Cash grants would be paid to the beneficiaries in two installments of PKR 20,000 each.

10. The Cabinet Division has opened accounts in each of the partner commercial banks – UBL, Alfalah and HBL (called participating banks). Then, in line with the demands indicated by the Provinces and based on the beneficiary list verified by NADRA, and satisfactory results from spot checks, the Cabinet Division requests the State Bank of Pakistan to transfer the required funds from the allocated demand to the specified accounts of the participating banks. In Phase II, the Cabinet Office will concurrently transfer funds to the participating banks from the IDA Designated Account, in the proportions agreed in the financing plan. The partner banks will then disburse the funds to the project beneficiaries as per the bio-metrically verified identification from NADRA using the banking system - virtual accounts opened in beneficiary names and withdrawal using ATM/debit (Watan) cards.

11. Beneficiaries will be able to withdraw funds by debit card (Watan Card) with PIN number, issued against a virtual account opened for each named beneficiary in one of the participating banks. Cabinet Division will instruct the participating banks to make a payment into each beneficiary account of the agreed amount according to an agreed timetable. Cash can then be collected by the verified beneficiary at ATM machines in the bank branches, or at franchises or payment centers. Point of Sale machines will also be set up to ease the demand at branches and ATMs, but they will require the individual Watan card PIN number to disburse money³². The participating banks shall provide Cabinet Division with a monthly reconciliation report by 10th day of the immediate next month on disbursed and undisbursed payments. The disbursed amount will be considered as expenditure for project purposes and will be accordingly accounted for in the books of the Cabinet Division.

12. Further details on the funds flow procedures to the partner banks and onward to the beneficiaries are contained in the Operations Manual, which will need to be approved by the Government, satisfactory to the Bank, as a condition of effectiveness. The draft Operational Manual adequately covers identification/verification of beneficiaries, payments, reconciliation, spot checks and operational audit. However, it needs to include timelines for submission and review of reconciliation statements and display of beneficiaries list in public places.

13. **Financial Reporting and Disbursement:** Public sector accounting standards issued by the Auditor General of Pakistan are followed by the Cabinet Decision. Quarterly consolidated financial reports would be submitted by the project.

³² Note : In Phase I, PoS machines were located at registration centres and money was disbursed to verified beneficiaries without using PIN numbers.

Withdrawals for the IDA Credit would be ‘Report – Based’ (Interim Financial Reports- IFRs), which will allow for adequate funds to be at the Cabinet Division’s disposal based on its cash forecast for two calendar quarters in advance. The quarterly IFRs shall be provided within one month end of each quarter. The format of IFRs has been prepared and agreed with the Cabinet Division. While the report on disbursement to beneficiaries will be used for reporting expenditure in the IFRs, the forecast of funds will be based on the funds to be disbursed to the participating banks so that the Designated Account has sufficient balance for project activities at all times. Donors will agree with the Cabinet Division formats of financial reports they would require in addition to the consolidated financial reports.

14. **Budgeting:** Government’s budgeting system is being used in the Cabinet Division. A monthly report of budget and actual expenditure is prepared for the management.

15. **Internal control including monitoring:** This will be specified in detail in the Operational Manual, which will need to be finalized by the Government and approved by the Bank task team before effectiveness. Operational Audit and spot checks will be carried out at regular intervals (quarterly) to review the performance of the project as outlined in the Operational Manual. This will provide regular and timely feedback to NADRA and Cabinet Division. Terms of reference for the operational audit would need to be agreed with the Bank and will be included in the operations manual. A copy of these audit reports will be shared with the Bank.

16. The implementing entity will ensure that the Bank’s guidelines on Preventing and Combating Fraud and Corruption in Bank Financed Projects (dated January 2011) are followed in the Project.

17. **Internal audit:** The internal audit of the Cabinet Division is carried out by the Administrative Wing headed by Joint Secretary with Section Officer (Accounts). The Administrative Wing reports to the Principal Accounting Officer i.e. Secretary of the Cabinet Division. The project would be included in the scope of internal audit. The Administrative Wing keeps track of the actions taken on the audit opinions. A copy of these internal audit reports shall be shared with the Bank during supervision missions.

18. **External audit:** Audit of the Cabinet Division has been completed by the Auditor General of Pakistan (AGP) up to FY’ 2009/10. Nature of auditors’ observations (reviewed by the Bank) and status of resolution is under process by the Departmental Accounts Committee. The nature of the audit observations does not have any impact on implementation of this project.

19. The following **financial statements** audited (using public auditing standards of the International Organization of Supreme Audit Institutions) by the Auditor General of Pakistan (who is acceptable to the Bank as auditor) would be submitted to the Bank within six months of the close of financial year. As per Bank’s Access to Information Policy, these would also be displayed on Bank’s web site.

Audit Report	Due Date
Project	December 31

B. National Database Registration Authority, NADRA

20. **Executive Summary NADRA:** NADRA has not implemented a Bank-financed project before. However, they have the wherewithal to manage the TA component of the project. Their Finance & Accounts Department is adequately staffed barring a key vacancy that is in the process of being filled up. NADRA is using a computerized accounting system and following international standards for financial reporting. NADRA's audit has been conducted up to FY'10 by a firm of chartered accountants who have given an un-qualified opinion and there are no major issues. Report based disbursement would be used for the project. Financial management arrangements for the project provide a reasonable assurance that the project funds would be used for intended purposes.

21. **Strengths and Weaknesses:** Strengths include professional staff, computerized accounting system and use of international financial reporting standards.

22. **Risk Analysis**

Risk	Initial FM Risk	FM Risk After Mitigation
Inherent Risk		
Country level	Substantial/Moderate	
Control Risk		
Budgeting	Moderate	Moderate
Accounting	Moderate	Moderate
Internal control	Moderate	Moderate
Funds flow	Moderate	Moderate
Financial reporting	Moderate	Moderate
Auditing	Moderate	Moderate
Detection Risk	Moderate	Moderate
Residual FM Risk Rating	Moderate	Moderate

23. **Organizational assessment:** NADRA is established as an independent corporate body with requisite autonomy to operate independently including an independent Board of Governors. NADRA is headed by a Chairman and comprises departments of Finance and Accounts, Administration, Operations, Technology, Software Engineering, Human Resources, Projects and 'NADRA Technologies Limited'. The Projects Department will be responsible for implementing the Flood Emergency Cash Transfer. It is headed by an experienced Chief Project Officer with three Deputy General Managers - Project Management, Strategic Partnerships Development and Special Projects - alongside various other executives. The internal audit reports directly to the Audit Committee.

24. **Staffing:** NADRA's Finance and Accounts Wing is adequately staffed barring a vacant position that deals with donors. This position is currently being covered by Director General Accounts and is likely to be filled up within three months. Additional staff may be engaged on a needs basis under TA. Staff is a mix of fully qualified and partly qualified professionals. The Finance Department is currently providing services to five projects for which separate books of account are

maintained. Job descriptions clearly lay down roles and responsibilities of staff that assures adequate segregation of functions.

25. **Accounting Policies and Procedures:** NADRA uses accrual basis of accounting in a computerized accounting system (Oracle Financials). The chart of accounts is adequate to cater to project's financial reporting requirements. The General Ledger module is linked with the following modules:

- Receivables
- Payables
- Cash Management
- Assets
- Payroll

26. **The Accounting Manual** prepared by a leading firm of chartered accountants adequately covers all aspects of accounting, safe custody of assets and financial reporting. Salient feature of the system are:

- Effective budgetary control
- Automatic payment of invoices
- Automatic generation of cheques
- Automatic reconciliation with banks
- Auto numbering of assets
- Tracking of assets by location

27. **Fund Flow Arrangements:** A segregated Designated Account (DA) would be opened by NADRA in which the funds would be received from IDA to be used for the Technical Assistance component. The account would be jointly operated by two senior officials of NADRA. The DA shall be opened by following the Government procedures laid down by the Finance Division, Government of Pakistan relating to the maintenance and operation of revolving fund accounts of IDA/IBRD/ADB credits and loans.

28. **Withdrawals** for the IDA Credit would be 'Report – Based' (Interim Financial Reports), which will allow for adequate funds to be at the NADRA's disposal based on its cash forecast for two calendar quarters in advance. The quarterly IFRs shall be provided within one month end of each quarter. The format of IFRs has been shared with NADRA and shall be agreed during negotiations of the project.

29. **Budgeting:** Finance Department is responsible for the preparation of budget, duly approved by the Chairman. Project specific budget is prepared by the Project Management Team in consultation with the Chief Project Officer. Budget is approved by the Chairman.

30. **Internal control:** The review of NADRA's financial management systems indicates adequate internal control framework and it will be applied to the project as well. NADRA also has an internal audit department headed by a Deputy General Manager who reports to the Audit Committee through the Chairman. Audit staff includes qualified and partly qualified professionals. The department keeps track of actions to be taken on their recommendations. The transactions pertaining to the project would also be covered in the scope of internal audit.

31. The implementing entity will ensure that the Bank’s guidelines on Preventing and Combating Fraud and Corruption in Bank Financed Projects (dated January 2011) are followed in the Project.

32. **Financial reporting:** Quarterly financial reports would be produced in respect of the project in addition to the monthly report on budget and actual expenditure. The format of IFRs has been prepared and agreed during negotiations. International Financial Reporting Standards are used for preparation of financial statements.

33. **External audit:** Audit of the NADRA is conducted by a firm of chartered accountants: Deloitte. This arrangement for audit is acceptable to the Bank. NADRA’s financial statements have been audited up to FY’10 and auditors have given an unqualified opinion. No major issues have been highlighted in the Management Letter.

A separate audit would not be required for the project. NADRA’s audited financial statements would by way of a note show the sources and application of funds for the project.

34. The following **financial statements** audited by a firm (using International Standards on Auditing) of chartered accountants (acceptable to the Bank as auditors) would be submitted to the Bank within six months of the close of financial year. As per Bank’s Access to Information Policy, this would also be displayed on Bank’s web site.

Audit Report	Due Date
Project	December 31

35. **Financial Management Project Supervision plan:** Intensive supervision will be required in the first few months. Implementation reviews will include the review of internal control arrangements, financial reports including audit reports, results of operational audits and spot checks.

36. **Fund flow and Disbursement Arrangements:** Subject to satisfactory FM assessment of NADRA and Cabinet Division, disbursement under the project will be made on the basis of IFRs. Format for the IFRs has been shared with the above mentioned implementation agencies and would be agreed during negotiations. The IFRs will have to be submitted with thirty days of the end of each calendar quarter.

37. The IDA Bank will provide funds to the NADRA/Cabinet Division on the basis of the respective estimated cash forecasts for the next two quarters, and on the basis of the information provided by NADRA, the Cabinet Division, will transfer funds to the participating banks for further disbursement to the flood victims, on grant basis.

38. The IDA Credit will be disbursed in a period of two years. The allocation of the Credit proceeds by disbursement category will be made as indicated in the table below:

Category	Amount of Portion A of the Credit Allocated (expressed in SDR)	Amount of Portion B of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Cash Grants to be paid to Flood Affected Households	41,330,000		80% of the amounts disbursed under the Cash Grants
(2) Cash Grants to be paid to Flood Affected Households	10,170,000	21,620,000	80% of the amounts disbursed under the Cash Grants
(3) Goods, non-consultant services, consultants' services, Training and Workshops and Incremental Operating Costs for the Project		6,380,000	100%
TOTAL AMOUNT	51,500,000	28,000,000	

39. Disbursements under category (2) will be subject to the following disbursement condition.

40. IDA financing is inclusive of taxes.

41. **Designated Accounts:** In accordance with agreed procedures for operation and maintenance of the Designated Accounts (DA), circulated by Finance Division, Government of Pakistan, from time to time, two separate segregated Designated Accounts (DA) will be opened in US\$ at the National Bank of Pakistan by NADRA and Cabinet Division, respectively, for receipts of funds from IDA. On a quarterly basis, the IDA will front-load funds into the DAs keeping in view the forecast cash requirements for the following two quarters. The funds provided into DAs would be used to meet bank's eligible share of financing of the Project. Other donors would have separate accounts for their financing.

42. There are eight IDA-financed operations in Pakistan which have not refunded or provided documentation on the use of Designated Accounts/Special Accounts (DA/SA) after the deadline of two months after the end of the "grace period" (i.e., the "lapsed loan" date, normally six months after the Closing Date). Under Bank policy (OP12.00, disbursement paragraph 12), failure to refund unused Designated Accounts/Special Accounts balances results in the Bank not permitting the use of DA under new loans/credits. Management endorsement for a waiver of the requirements of OP12.00 has been secured for a period of 12 months ending on October 31, 2011 to

allow for continued use of DAs for loans and credits to Pakistan. The waiver requires the approval by the Board for this Credit.

43. Based on the Bank's assessment, the FM arrangements for the project are considered satisfactory and there is sufficient assurance that the requirements of OP 10.02 will be met. The implementing entity will ensure that the Bank's guidelines on Preventing and Combating Fraud and Corruption in Bank Financed Projects (dated January 2011) are followed in the project.

44. **Incremental Operating costs:** operating cost will cover expenditures for salaries of contractual staff (other than consultants), per diem and allowances, office rental, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance of office equipment and vehicles, advertisement expenses, and normal bank charges, insurance, media projections, news paper subscriptions, periodicals, printing and stationery costs in connection with the management and coordination of Project activities, which expenditures would not have been incurred absent the project, but excluding salaries of the Recipient's civil servants.

45. **Retroactive financing:** The project includes a provision of retroactive financing to meet eligible expenditures incurred on and/or after December 31, 2010 but before the signing of the Financing Agreement. The amount of retroactive financing is set up to US\$ 5 million equivalent to finance capacity building and implementation support.

46. **Memorandum of Understanding:** A Memorandum of Understanding between GOP and co-financiers, including IDA, will be entered before the project becomes effective to outline the guiding principles for engagement, respective responsibilities and financial contributions. Based on current financial commitments from GOP and co-financiers, GOP's contributions account for about 20% of the cost of Cash Grants, and the co-financiers will finance the remaining 80%. For each withdrawal of Cash Grants, a consultation process will be held among co-financiers to decide the amounts from each of the co-financiers. In the event that other co-financiers' funds are not available at the time a withdrawal of co-financiers' funds is made, IDA will finance Cash Grants at 80%, subject to the capped allocations.

Annex 6: Procurement Arrangements

PAKISTAN: Flood Emergency Cash Transfer Project

1. Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants January 2011"; "Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers January 2011", as well as the provisions stipulated in the Financing Agreement. The general description of various items under different expenditure categories are described below. For each contract to be financed by the Project, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are to be agreed between the Borrower and the Bank Project team in the Procurement Plan. A full plan is yet to be developed, however NADRA has submitted an initial Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity. A General Procurement Notice shall be published as soon as procurement plan is prepared.

Procurement of Works

2. No works are envisaged in this project.

Procurement of Goods

3. At present there are some procurement like IT/ Office Equipment and Printed Material. There is no other requirement for goods envisaged so far.

4. Contracts for goods under International Competitive Bidding (ICB) are not expected at this stage. Procurement methods for goods under the Project will consist of Shopping for contracts costing up to USD 50,000 equivalent, National Competitive Bidding (NCB) for contracts upto USD 500,000 equivalent, and ICB for contract costing more than USD 500,000 equivalent. Direct Contracting may be used for any urgently required goods after prior approval of the Bank.

Selection of Consultants

5. Contracts with consulting firms will be procured in accordance with Quality and Cost Based Selection procedures or other methods given in Section III of the Consultants' Guidelines. Consulting services selection would be carried out through Quality and Cost Based Selection (QCBS) for contracts with consulting firms costing more than USD 400,000 equivalent, and through Consultants Qualification (CQ) for contracts costing up to USD 400,000 equivalent. Other methods as mentioned in Section III of Consultants' Guidelines shall be used as required. Single Source Selection (SSS) may be used for hiring consulting services after prior approval of the Bank.

Individual Consultants

6. This is envisaged to include any full-time or part-time technical assistance required for the Project. Services for assignments that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines, which stipulate that the selection should be made through comparison of at least 3 CVs that meet the requirements of the Terms of Reference including those for qualifications and experience. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Assessment of the Agency's Capacity to Implement Procurement

7. NADRA is responsible for conducting procurements of this project. There is a separate Procurement Department headed by Manager Procurement, who is assisted by office support staff. Manager Procurement reports to Chief Administrative Officer through Deputy General Manager. The Bank's Procurement Specialist conducted capacity assessment for NADRA in the first week of February 2011. The assessment reviewed the organizational structure, staffing and capacity for implementing the project. The identified risks for procurement and contract implementation and mitigation measures are provided below. Given the readiness status of the project the overall Project risk for procurement is High.

(i) Capacity of Procurement Department (NADRA)

The Procurement Department (NADRA) has generally conducted procurement of goods and they have no experience of hiring of consultancy services. In principle Public Procurement Rules 2004 are used, but there are major implementation gaps within. For instance, the bidding documents do not include evaluation criteria, payment terms and delivery schedule. It is agreed that NADRA shall hire a project specific Procurement Specialist by April 15, 2011 and the Bank shall provide a training session to NADRA as soon as the staff is hired.

(ii) Procurement Decision Process

As this is an Emergency Project, therefore a swift process in procurement decisions within the implementing agency is essential. The internal approval procedures of NADRA are agreed and documented in the procurement section of operations manual.

(iii) Market Constraints

8. As this is a national level project, consulting firms may be reluctant to participate in the selected areas of the project given the law and order situation. The assignments shall be developed in a manner that local as well as external participation is encouraged and the contract sizes are large enough to solicit good response. There shall be adequate dissemination of the opportunities.

(iv) Transparency

9. All procurement notices, bid documents /RFPs, evaluation reports, and award data shall be posted on the NADRA's website. Bank's guidelines on publication of award paragraph 2.28 of consultancy guidelines and 2.60 of the procurement guidelines shall be followed for disclosure. These websites shall also be used for posting of grant evaluations, awards, and performances.

(v) Complaints

10. The Procurement Department (NADRA) in consultation with Chief Projects Officer (CPO-NADRA) would manage the complaint handling system. This system would include documentation and addressing of complaints within a period of 7 days. NADRA shall keep the Bank informed by forwarding to it any complaints within 3 days of the receipt. For ICB/international selection of consultants the Bank-prescribed complaint redressal mechanism will apply.

Table 1: Procurement Actions (Summary of the above identified issues and agreed actions)

	Issues	Action	Timeline	Responsibility
i.	Capacity Procurement(PD) Department (NADRA)	Hiring of respective Procurement Specialist Training session	April 15, 2011 After hiring of Procurement Specialist	*PD-NADRA Bank
ii	Procurement Decision Process	Agreement on NADRA internal approval procedure	March 25, 2011	NADRA
iii.	Market Constraints	Adequate packaging Wide circulation	April 15, 2011 Ongoing	PD-NADRA PD-NADRA
iv.	Transparency	Disclosure on website	Ongoing	PD-NADRA
v.	Complaints	Letter from CPO notifying Independent complaint redressal mechanism	One month after effectiveness	PD-NADRA

*PD-NADRA: Procurement Department NADRA

Procurement Plan

11. The Recipient has developed a Procurement Plan for Project implementation which provides the basis for the procurement methods. This plan will be made available in the Project's database, NADRA's website, and the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity Frequency of Procurement Supervision

12. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended frequent supervision missions to visit the field to carry out post review of procurement actions.

Review of Procurement by the Bank

13. Thresholds for prior review of contracts under eligible expenditures are given in the table below. All other contracts will be subject to Post-Review by the Bank. PD-NADRA will send to the Bank a list of all contracts for post-review on a quarterly basis. Post-reviews as well as the implementation reviews would be done six monthly. Such review of contracts below threshold will constitute a sample of about 15-20 percent of the contracts.

Table 2: Thresholds for Procurement Methods and Prior Review Aligned with The Rapid Response to Crisis and Emergencies: Streamlined Procurement Procedures.

Prior Reviews Identified in Approved Procurement Plan

Expenditure Category	Contract Value (Threshold) US \$	Procurement Method	Contracts Subject to Prior Review US\$ thousand
1. Civil Works	Not applicable		
2. Goods	> 500,000	ICB	All
	≤500,000	NCB	First Contract, thereafter as provided in Proc. Plan
	< 50,000	Shopping	First contract, thereafter as provided in Proc. Plan
	Regardless of value	Direct Contracting	All
3. Consulting Services			All TORs and Training Programs to be reviewed by Bank's TTL
3a. Firms	> 400,000	QCBS	All
	< 400,000	CQS	First contract by any process and thereafter as provided in Proc. Plan
	Regardless of value	Single Source	All
Individual Consultants		Comparison of 3 CVs	Contract for Procurement Specialist and thereafter as provided in Proc. Plan

Note:

ICB = International Competitive Bidding ; NCB = National Competitive Bidding; QCBS = Quality- and Cost-Based Selection; QBS = Quality-Based Selection; FBS = Fixed Budget Selection; LCS = Least-Cost Selection; CQS = Selection Based on Consultants' Qualifications; TOR = Terms of Reference.

Activity No.	Contract Description	Estimated Cost	Procurement Method	Review by Bank	Actual/ Expected Proposal Opening Date
1.	Operational Audit	USD 350,000	CQS	Prior	May 18, 2011
2.	Impact Evaluation	USD 2,000,000	SSS	Prior	April 20, 2011
3.	Communication Services	USD 1,000,000	QCBS	Prior	May 18, 2011

Improvement of Bidding Procedures under National Competitive Bidding

14. The following improvements in bidding procedures will apply to all procurements of goods under National Competitive Bidding, in order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:

- (a) Invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days (exceptions to be reviewed and agreed by bank on case to case basis) prior to the deadline for the submission of bids;
- (b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (c) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
- (d) Bidding shall not be restricted to pre-registered firms;
- (e) Qualification criteria shall be stated in the bidding documents;
- (f) Bids shall be opened in public, immediately after the deadline for submission of bids;
- (g) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (h) Before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained;
- (i) Bids shall be solicited and contracts shall be awarded on the basis of unit prices;
- (j) Contracts shall not be awarded on the basis of nationally negotiated rates;
- (k) Single bid shall also be considered for award;
- (l) Contracts shall be awarded to the lowest evaluated and qualified bidder;
- (m) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (n) draft NCB contracts shall be reviewed by the Association in accordance with the prior review procedures;
- (o) State-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient;

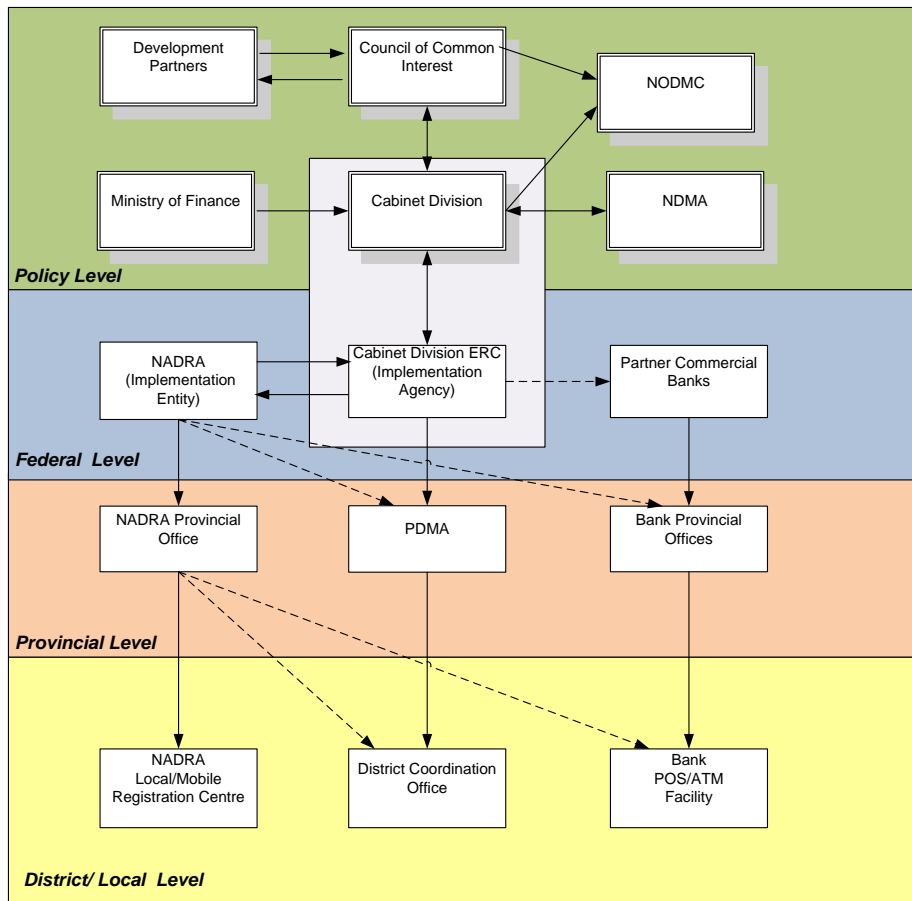
- (p) A firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association.
- (q) The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association; and
- (r) Each contract financed from the proceeds of a Loan shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

Annex 7: Implementation and Monitoring Arrangements

PAKISTAN: Flood Emergency Cash Transfer Project

A. Project Implementation Arrangements

1. The implementation arrangements of the project closely mimic that used by GoP for the distribution of Phase I of the Citizen's Damage Compensation Program (CDCP). It is represented diagrammatically as follows:



2. **Policy Decisions and Oversight:** The Council of Common Interest (CCI), composed of the Prime Minister and all four Chief Ministers of Provinces is the constitutional body to build consensus between the provinces. It has been and will be responsible for key policy decisions regarding CDCP financing and design that require inter-provincial coordination and commitment. The National Oversight Disaster Management Council (NODMC) comprises individuals of integrity and repute with members nominated by federal as well each provincial government and has been created as an independent body to oversee all flood related activities in the country. In case of the CDCP, it reviews the contours of the program and provides its views to the CCI for their decision. It should also ensure that proper monitoring and accountability mechanisms are put in place for full transparency in the utilization of funds.

3. **The implementing agencies for the project are the Cabinet Division and NADRA.** Cabinet Division assumes the responsibility for coordination with the

provinces and the flow of fund from Finance to the partner banks' accounts. NADRA is responsible for all technical aspects of the program including its field implementation based on the institution's capacity and experience. NADRA will report to Cabinet Division on the results of its program monitoring.

4. **Cabinet Division is the implementing agency for Component 1 (cash transfers) of the project** (see text box below for institutional establishment of ERC). Within the Cabinet Division, the Emergency Response Cell (ERC) will be responsible for the overall coordination and monitoring of the program. Cabinet Division has responsibility for managing the flow of funds from Finance and donors to the commercial partner banks' accounts. With technical support from NADRA, the Cabinet Division shall prepare policy options and the program design for approval of either the CCI or all the respective provincial Chief Secretaries (including Gilgit Baltistan and AJK). The Cabinet Division will provide all support required for operational coordination with the respective provincial focal agencies (PDMAs) and through them with the District Governments. The Cabinet Division will also be responsible for donor coordination and reporting on the program.

Institutional Establishment of Emergency Relief Cell (ERC) as part of the Cabinet Division

This cell is set up as a central agency concerned with relief in the face of major disasters in the country. Under the National Calamity (Prevention and Relief) Act, 1958, the provision of relief assistance to calamity stricken people primarily falls in the domain of provincial governments. In the face of major disasters, on the directions and with the approval of the Prime Minister, the ERC provides relief assistance to the provinces to supplement the efforts of provincial governments; the ERC liaises between all concerned agencies including Federal Division, Pakistan Army, provincial governments, international agencies, NGOs (national and international) regarding relief activities being carried out; they administer relief funds from the Federal Level and provide provinces the relief assistance received as donation from within the country and abroad. ERC also have a responsibility for matters relating to resettlement and rehabilitation of civilians. Under the Communications Security and Military Wing, the ERC comprises a DG (Joint Secretary level), one Deputy Secretary and four Section Officers.

Source: Cabinet Division website

5. **Funds for cash transfers will be managed by the Cabinet Division.** Cabinet Division will coordinate the contributions from the Finance Division and donors to ensure their monetary contributions in accordance with the commitments made. The Cabinet Division will manage the program account(s) and ensure timely transfer of funds to the participating partner bank accounts in accordance with the verified beneficiary lists, the reported disbursement and the subsequent reconciliation. This will be operationalized through a tripartite agreement between NADRA, the Cabinet Division and the participating Commercial Banks. Cabinet Division will set up the central reporting mechanism and submit regular financial reports to the Ministry of Finance, provincial governments and international development partners and to CCI, on disbursement of funds to beneficiaries and fund reconciliation. In line with this, the Cabinet Division will ensure the program's internal audit, and appropriate third party audits in consultation with and approval of the NODMC. For operational overview and program evaluation, the Cabinet Division, in consultation with the NODMC, will monitor the outcomes of the various social accountability mechanisms (detailed below). The Cabinet Division will have oversight of the findings of the Operational Audits commissioned by NADRA (see below) and will ensure that NADRA takes timely action on the findings, that they are incorporated where appropriate into the CDCP Operational Manual; disseminated to implementing

agencies, and reported back to the NODMC and development partners. The Cabinet Division will also be responsible to ensure that lessons arising from the Impact Evaluation are appropriately recorded, shared and incorporated into future relief program design.

6. **NADRA will provide all technical and operational support for both the field implementation of the project and the data management** (see text box below for institutional profile of NADRA). NADRA will develop the project's operational procedures, and fully detail them in an Operational Manual that they will provide to all concerned stakeholders along with a coordinated program of training, follow up support and advice on their respective roles. A key responsibility of NADRA will be the development and maintenance of the program MIS including populating and maintaining the program beneficiary lists (beneficiary enrollment, verification and payment authorization). NADRA will triangulate the provinces' house damage survey data with their own database to ensure, in coordination with the findings of the Third Party Spot Checks, that the targeting of beneficiaries is in accordance with the approved criteria. NADRA will set up and operate the necessary registration centers; provide new, replacement or updated CNICs to any potential beneficiaries that need them; update family tree information as required; acquire and subsequently verify biometric data on-site and ensure the banks issue (or re-verify) Watan Cards or Watan pin numbers as required either for existing or new beneficiaries.

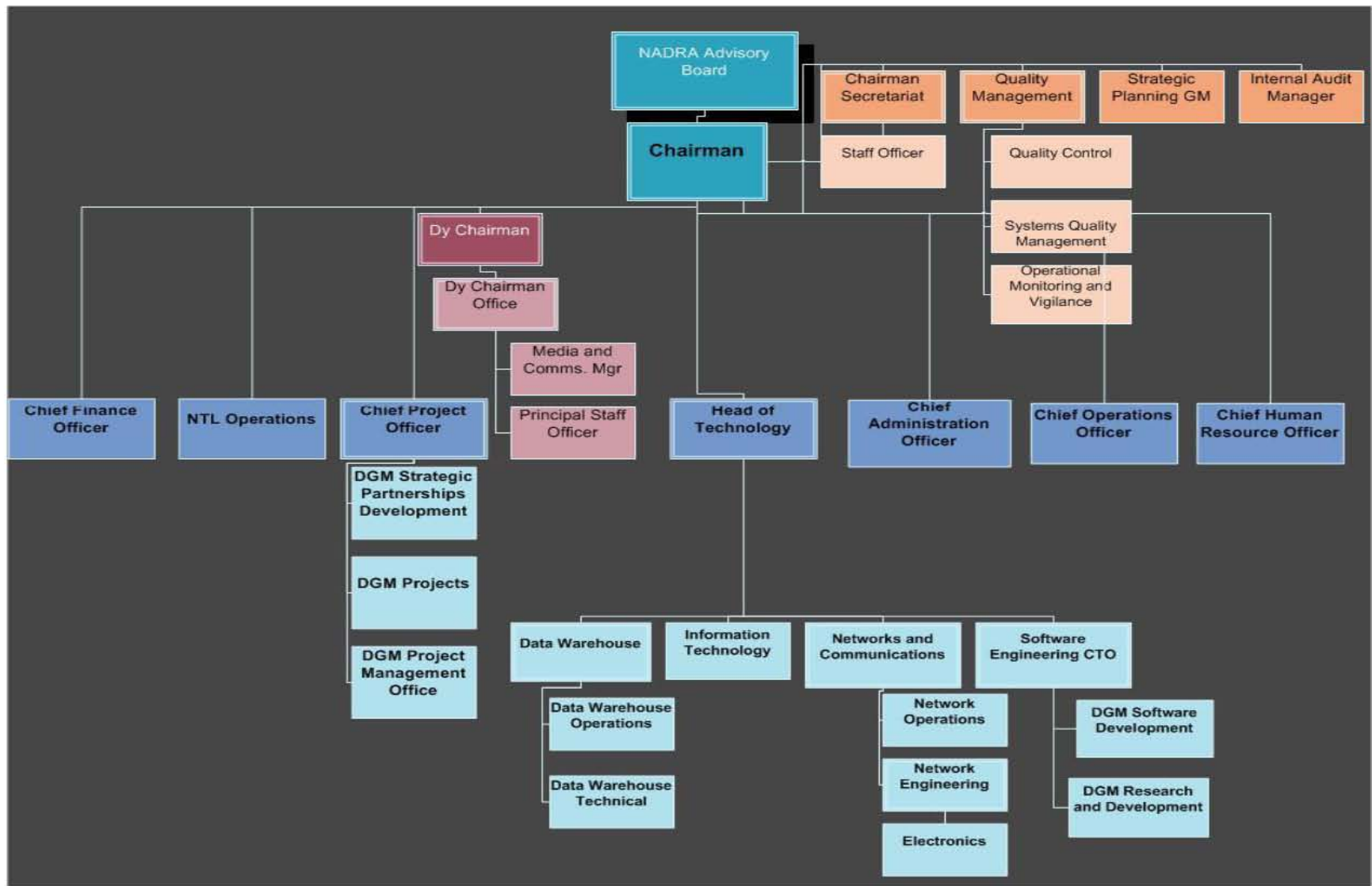
NADRA's Institutional Establishment

NADRA was established in 2000 through the merger of the National Database Organization - an attached department under the Ministry of Interior, GoP – and the Directorate General of Registration. NADRA was formed as an independent corporate body with requisite autonomy to operate independently and thereby promote good governance. With the mandate of developing a system for re-registering 150 million citizens, NADRA started the task of civil registration of all Pakistanis in March 2000 and in a short span of time, NADRA's team have created all essential support systems (see Note 1) and, to date, have issued secure Computerized National Identity Cards (CNIC) to over 96 million citizens in Pakistan and abroad (see Note 2). With the introduction of the new computerized system, NADRA claim to have reduced identity theft to a bare minimum. The national Data Warehouse hosts the data of the 96 million citizens and runs various transaction processing, business intelligence and decision support applications. NADRA employs a skilled workforce of more than 11,000 technical and management personnel. NADRA has developed 365 multi-biometric Interactive Registration Centers and deployed 189 mobile vans to register citizens living in far-flung areas. They provide important data management services to other Government Departments, for example NADRA worked with BISP to develop and populate the database for the nationwide household poverty survey. NADRA has gained significant international recognition (see Note 3). NADRA's outline Organizational Chart is provided below.

Note 1: Including a centralized data warehouse, network infrastructure and interactive data acquisition systems.

Note 2: These replaced the paper based National Identity Cards (NICs) that had been in use since 1971. CNICs are tamper resistant ISO standard Identification documents.

Note 3: 'ID World', organizers of the ID Card & Electronic Passport Forum, ranked NADRA as one of the World's Top 50 Suppliers of e-Passport Technology for four years running. NADRA also provides advisory services to foreign governments.



7. **Both Cabinet Division and NADRA will work in partnership with commercial banks for the delivery of the cash to beneficiaries.** The partner banks involved in Phase I were UBL, Alfalah, and Habib Bank. The banks coordinated with NADRA on beneficiary lists, opened virtual accounts and issued Watan Cards to the beneficiaries, activating the cards when the individuals were biometrically verified by NADRA and liaised with NADRA on payment dates and amounts. In Phase II, the banks will replace Watan cards if lost by beneficiaries and coordinate with NADRA for appropriate beneficiary (re-)verification. They will provide conveniently located on-site cash withdrawal facilities through Point of Sale (POS) machines to supplement existing ATM sites, and will maintain a toll-free helpline that provides advice to complainants on issues related to payments. The banks will provide timely beneficiary reconciliation data to NADRA and fund requests as and when needed. The banks will also maintain a reporting line with both NADRA and the Cabinet Division to provide real time information on cash grants disbursement and payment reconciliation.

8. **The Provincial Governments and their PDMAs will play a vital part in the effective field implementation of the program.** During the Phase I of the CDCP, Provincial Governments provided 50 percent of the cash transfers to flood affected beneficiaries. In Phase II they will identify damaged households, and triangulate their beneficiary lists with NADRA. Through the PDMAs, the provincial governments will participate in the beneficiary awareness campaign at the local level to inform the local public of the program. The provincial governments will also support the establishment, provisioning and security of any required beneficiary registration or payment centers and will systematically mobilize and schedule beneficiary attendance and thereby assist NADRA and the Banks. Provincial governments will be responsible for the effective receipt and efficient redressal of grievances concerned with beneficiary registration as per approved guidelines. In all stages of the project the provincial authorities will ensure that District government officials are fully informed and mobilized to cooperate in the process. Provincial governments will also be expected to collaborate and facilitate the work of the institutions responsible for providing advisory services for the future cash transfer beneficiaries.

Responsibilities of the official stakeholders are summarized in the table below:

Agency	Roles
Council of Common Interest (CCI)	Policy Decisions Building consensus between Provinces
National Oversight Disaster Management Council, NODMC	Approving all implementation and monitoring plans. Oversight and Audit
Cabinet Division	Steering and oversight. Keeping NODMC fully informed of progress. Management of cash transfer funds. Reconciliation with Banks.
Provincial Governments through PDMAs	Identification of Phase II beneficiaries through household damage survey.

	Public information, mobilization of beneficiaries. Grievances related to eligibility
NADRA	Training and briefing of all stakeholder staff. Registration, data management, CNIC issuance, beneficiary verification (bio-metrics) Grievances related to registration and CNICs
Associated Banks	Opening virtual bank accounts. Watan Card issuance. Provision of on-site cash withdrawal facility (PoS machines). Beneficiary payments. Grievances related to payments
Local Government through DCOs	Beneficiary awareness. Grievances related to eligibility

B. Project Monitoring Arrangements

9. **Based on both Pakistani experience and international best practice, the program will be governed by a set of well-designed control and accountability mechanisms** that will provide program managers, development partners and the public, including beneficiaries, with timely information on the operational effectiveness of the program.

10. **Management Information System:** The integrated MIS of the whole program will be established building on the system that was already set up for the implementation of Phase I of CDCP. The Cabinet Division will maintain records of finance disbursed for cash payments and subsequently reconciled by the banks. NADRA will track individual beneficiary status and receipts using their MIS and the unique personal identity numbers of the CNICs. It will be important for the MIS to be fully integrated with the project monitoring framework to facilitate appropriate progress reporting. More details of this are discussed in Annex 2: Results Framework and Monitoring.

11. **Financial and Auditing arrangements:** The Operational Manual, to be approved by the either the CCI or all the respective provincial Chief Secretaries (including Gilgit Baltistan and AJK), will define the policies and guidelines for management, financial management and auditing procedures, including funds flow control arrangements and procedures. It will enshrine the transparency and accountability of the whole exercise. Cabinet Division will ensure the necessary staff for effective internal audit. Financial Management is further discussed in Annex 5 Financial Management and Disbursement Arrangements.

12. **Procurement Arrangements:** The only procurement under the program will be for technical assistance under Component 2. Procurement will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 and revised October 1, 2006; "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October 1, 2006; and as the project is processed under OP 8.00 the "Rapid Response

to Crises and Emergencies: Streamlines Procurement Procedures, Guidance to World Bank Staff,” dated June 2009 as well as the provisions stipulated in the Legal Agreement. A detailed procurement plan for Component 2 will be prepared by NADRA and agreed prior to implementation. Further details are provided in Annex 6 on Procurement Arrangements.

13. **Spot Checks on beneficiary lists.** To assess the quality of the damage needs assessment survey carried out by each province, a third party will be contracted by USAID to check whether proposed beneficiaries actually have suffered damages to their houses in accordance with the definitions used for the assessment. In case there are substantial discrepancies between the original list and the spot checked list, the area will be resurveyed by the authorities until the list is acceptable in accordance with the parameters established in the Operational Manual.

14. **Communications Campaign:** This is the first line of the public accountability and outreach strategy. Lessons from post-earthquake cash grants (2006) and more recently the BISP Test Phase have shown the importance of an effective two-way communications with all stakeholders and beneficiaries, especially locally where community concerns need to be allayed, consistent responses provided to all questions and public participation encouraged. The feedback from the Rapid Evaluation of Phase I indicates that there have been significant gaps in awareness among potential beneficiaries. The Communications for CDCP Phase II will be supported through specialized technical assistance to NADRA, developing and providing appropriate communication materials for each stakeholder, while also encouraging innovative and locally appropriate interventions to share the messages and reach the beneficiary population. The campaign will work on three fronts: **Internal Training and Briefing** to ensure there is a coherent understanding of all aspects of the program at all levels among all stakeholders; **Beneficiary Awareness** through a range of appropriate local media, local government and local institutions; and **Public Awareness** for general public, media, academia, donors, politicians, opinion makers and the civil society nationally. The goal is to provide full information on the objectives, rules, approach, and anticipated timetable for the cash grants. To further promote transparency, the communication campaign will disseminate details of the toll-free helpline number (see details below) for direct public interaction and full details of the options for raising any grievances.

15. During Phase I of CDCP, an independent agency, the International Organization for Migration (IOM), was closely involved at the field level in providing information to the public on the various programs and services available for flood victims. With the technical support of NADRA, they prepared a set of answers to ‘Frequently asked Questions’ (FAQs) concerning Watan Cards, registration, payment and grievance procedures etc.

16. They ran information sessions at the village level with community representatives displaced by the floods; they translated the FAQs into seven languages and arranged for its broadcast on radio and also shared it with local agencies working in the field such as local Rural Support Programs and community organizations. They also ensured that the IOM Humanitarian Call Centre had all necessary information and training on CDCP to follow up individual cases with appropriate and specific advice and guidance. For Phase II of CDCP, it is planned to repeat this type of information sessions at the village level with community representatives, to ensure

communication outreach and formalize the collaboration between IOM and NADRA for similar communication backup and support in the field. IOM's support of the Communications Campaign for Phase II will be funded by DFID.

17. **Social Accountability:** After local completion of the targeting survey, the list of eligible beneficiaries will be prepared and published locally. Options for uploading on the NADRA website will also be considered for greater transparency and wider dissemination. In addition, the program implementing agencies will collaborate with NGOs in the country which have wide coverage in the flood affected areas to engage community organizations and other local institutions, e.g. council of elders, in the grievance redress process, communication/outreach and evaluation. This will also account as far as practical for gender issues and a voice for women in the process. Furthermore, a mobile-based SMS enquiry and response system has been set up by NADRA. For payment concerns, the banks have already set up toll-free telephone help-lines to record and answer complaints. NADRA will provide web-based updates on program progress on a dedicated website of the program.

18. **Operational Audit:** An Operational Audit will be commissioned to assess the adherence of all implementing agencies to the processes outlined in the operational manual of the program. The audit will shadow and report on the implementation of the program at all levels. It will thereby provide valuable feedback to program managers and government officials to make timely improvements to the program design, and will help ensure that any gaps, oversights or bottlenecks become visible. The Operational Audit will also assess the effectiveness of payments and the grievance procedures, following cases through and identifying any shortfalls in process or outcome. These activities will be carried out by an independent third party reporting to NADRA to enable timely course correction and trouble shooting.

19. **Impact Evaluation:** The rapid evaluation of the implementation of Phase I (carried out in February 2011) will be continued and extended to ensure a statistically valid stratified random sample of beneficiaries are surveyed. In addition to providing information on the targeting efficiency of the program, both inclusion and exclusion errors, the evaluation will investigate the potential effects of the program on family well-being, including improvements in family consumption, use of funds for asset creation and human development, and effects on the local economy.

20. **Appeals and Complaint mechanisms:** The criteria for targeting have been kept as simple and as easily defined as possible to aid communication and minimize subsequent targeting grievances. The procedures for all complaints and appeals are set down in detail in the Operational Manual and will be covered in the NADRA, PDMA and local authority staff training and also included in the beneficiary and public awareness campaigns. A free telephone helpline system is established and shall be strengthened for Phase II of CDCP to field complaints and to provide information on the status of applications, payments, appeals or grievances. The helpline respondents will be trained to record calls properly and provide on-line responses to questions concerning beneficiary or (for the Bank helplines) payment status advice. Similarly local government officials and NADRA field staff will be trained for grievance redressal. It is anticipated that most complaints will be received by local government officials or NADRA at their field offices or via the telephone helpline. All helpline and calls and locally received grievances will be recorded, analysed and the quality and accuracy of the responses assessed. All complaints will

be processed systematically through the MIS, and follow up actions will be documented.

21. **Unsolved grievances** may result in complaints at local, provincial or federal level. Transparency and access to information standards will be laid out in the Operational Manual, so that all stakeholders are aware of transparency and access to information obligations. DFID has the intention to support communications and beneficiary advocacy at community level as part of their social protection agenda. DFID is planning to fund IRC to help beneficiaries and/or communities in highlighting and lodging their complaints. IRC plan to set up three “citizen advice bureaus”, also IRC staff will have a presence at NADRA Centres and the DCO offices. IRC will also maintain its current offices in the 8 flood effected districts to support these beneficiary advisory activities.

22. As a last resort for unanswered grievances or maladministration, the Federal and Provincial Ombudsmen will be available to the public to settle disputes. The office of Federal Ombudsman ‘Wafaqi Mohtasib’ is based in Islamabad, and is empowered to investigate the affairs of all Federal Agencies or officials of the federal government and, if found wanting, to award compensation to those who have suffered loss or damage as a result of poor administration. The Provincial Ombudsman, with offices in all four provinces, similarly should provide administrative justice where there is poor service delivery or lack of quality governance by the provincial government. A more recent initiative launched by Transparency International, supported by USAID, includes a fraud hotline available to the general public for reporting fraud and corruption-related grievances.

Annex 8: Implementation Support Plan
PAKISTAN: Flood Emergency Cash Transfer Project

The Implementation support plan for the project is as follows:

1. **Frequent Review of Implementation Plan and Progress:** The supervision plan includes quarterly missions which will review project progress based on the implementation plan. The reviews will build on analysis of data from the Management Information System (MIS), for example on grievances, and draw from the results of the third party Operational Audits which will provide timely information on the quality of program implementation along the processes and procedures established in the Operational Manual.
2. **Local and international experts to support project monitoring:** Given the short implementation plan, the high visibility of the program as well as the participation of multiple donors as financiers of the CDCP, the task team will engage several professional local staff to ensure flow of information, rapid communication and also processing of procurement and financial management requests. The local team will be supported by selected international experts that will provide assistance on specific topics (e.g. systems development, communications, etc.). The extent of the use of local and international consultants will depend on the available Trust Funds that the team has applied for.
3. **Control and Accountability Mechanisms:** The project includes a number of control and accountability mechanisms such as Spot Checks on the Housing Damage Surveys, Operational Audits (see above), Beneficiary Assessments, Impact Evaluation, MIS, financial audits, procurement reviews etc. The information provided by these instruments will be used to identify potential weaknesses and gaps in program implementation. They will therefore guide the focus of the supervision activities.
4. **Learning and dissemination of findings.** The project provides an array of instruments such as Operational Audits, Impact Evaluation and Beneficiary Assessments that will enable program implementing agencies, oversight committees as well as development partners to learn from the implementation of the program. The learning is expected to inform the future shape of disaster recovery support through cash transfers.
5. **Financing for the supervision:** To ensure the availability of sufficient resources for implementation support as well as donor coordination, the team will seek adequate resources from the Bank budget. In addition, part of the technical work necessary for proper supervision is expected to be supported by financial contributions from development partners.

Annex 9: Project Preparation and Appraisal Team Members

PAKISTAN: Flood Emergency Cash Transfer Project

Name	Title	Unit
Andrea Vermehren	Senior Social Protection Specialist (Co-Task Team Leader)	SASSP
Iftikhar Malik	Senior Social Protection Specialist (Co-Task Team Leader)	SASSP
Cem Mete	Senior Economist	SASSP
Maria Gracheva	Senior Operations Officer	SASHN
Naoko Ohno	Operations Officer	SASHN
Nistha Sinha	Senior Economist	PRMGE
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Annex 10: Environmental and Social Safeguards Framework

PAKISTAN: Flood Emergency Cash Transfer Project

1. The proposed project includes cash transfers to flood affected families and technical assistance to enhance project management, transparency and accountability which would not have any adverse environmental and social effects. Accordingly, no environmental and social safeguard issues and/or associated irreversible impacts are expected from this project. There will be no any negative impacts of this project in terms of involuntary resettlement or harm to indigenous people. Therefore, no social and environment safeguard policies will trigger.
2. Consequently, the project is classified as a Safeguard Category C by IDA. Under the current scope of work, no Environmental and Social Screening Assessment Framework (ESSAF) is, therefore, required for the project.
3. It is well understood that a cash transfer program aiming to support people's recovery from a major shock/disaster would have positive social impacts on beneficiaries and communities. At the same time, the Bank team has been paying strong attention to prevent possible exclusion of the poor, vulnerable and women. The following is the summary of the project interventions ensuring inclusion of the poor and vulnerable and gender equity.

Ensuring inclusion of the Poor and Vulnerable: Phase I of the GOP's Citizens Disaster Compensation Program (CDCP) has supported a large number of vulnerable and poor households, and during Phase II this targeting is to be further refined to include more poor and vulnerable populations. Given the level of poverty prevalent in the most flood affected areas, sub-targeting during Phase II will be done with a focus on excluding well-off populations from the overall population and ensuring outreach to the most affected. As per the statistics available from NADRA, NDMA and PDMA's for selection of beneficiaries, vulnerability indicators and extent of damage to houses will be applied for cash transfers to ensure inclusion of the poor and those most in need.

Ensuring Gender Equity: During the beneficiary selection processes for the flood affected areas (Phase I of the CDCP), one of the major concerns in terms of grievance redressal were those women who were not head of households. NADRA, NDMA and the local PDMA's during Phase I have made conscious efforts to identify female head of households and enable to them apply for the Watan Card to ensure access to the program by vulnerable women (single, divorced or whose husband is unable to register himself). The current phase is working towards identifying those women during targeting who are vulnerable and further complements the ongoing Bank supported national safety net project (Benazir Income Support Program). This targeting will be done based on both the available data as well as the involvement of the local community, support groups and government officials.

4. In the meantime, it is well understood that a cash transfer program aiming to support people's recovery from a major shock/disaster would have substantial positive impacts on beneficiaries and communities. With this point in mind, the Bank team has worked with NADRA to analyze the beneficiaries' registration data to explore the

magnitude of impacts on vulnerability due to the flood, with a close attention to gender and disability of the registered families, at the introduction of Phase I of CDCP.

5. This vulnerability analysis is based upon a random sample of 30,018 records taken from NADRA's flood registration database together with the linked information on gender, disability and educational levels taken from the CNIC database³³. With a sample of this size, the statistical error of the analysis will be small.³⁴ The following is the summary of the vulnerability analysis:

Beneficiary characteristics

- 1) Over 90% of the registrants are male, with 8% female. Almost 90% are currently married, with most of the rest widows or widowers. Between 1% and 2% of registrants are recorded as disabled. Around 54% of the families reported no child aged under 11 years old in their families, and 85% have no person aged 60 and over living there. Some 28% of households have no person aged between 18 – 59 years. Half of the families record agriculture as a source of income whilst a third cites unskilled labor. Other sources are much less important with 8% quoting salaried or wage paying employment and 6% livestock.
- 2) Approaching half of all flood registrants stem from the Punjab (47%), with Sindh having the next highest at around 35%. KP and Balochistan account for about 20% of registrants.
- 3) In terms of beneficiaries from districts of Punjab, the largest numbers are from Muzaffarabad (38%) and Rajanpur (24%), whilst for Sindh the major beneficiaries belong to Jacobabad (21%) and Dadu (20%). (15%). For KP a large number of affectees are from Dera Ismail Khan (34%) and Nowshera (17%) whilst from Balochistan the main beneficiaries are from Jafarabad (52%) and Naseerabad (45%).

Family Losses due to Flood

- 4) Almost 95% of the families registered have suffered some form of damage to their house, and for most of these the damage was complete. Half of the households suffered damage to their crops and orchards, and almost 30% lost livestock in some form or another. Only a relatively small number suffered damage to their shop, restaurant or hotel but this will be linked to the relatively small number owning these in the first place. For families and households, the loss will have been that much greater and although they may

³³ Some of these fields were crosschecked with the PSLM 2007-2008 survey (these numbers have not been endorsed by the GoP) and the responses are similar with a 10% margin of error, e.g., the fields relating to professions etc.

³⁴ For example any percentage figures quoted relating to the total number of records will be accurate to within $\pm 0.6\%$. Data relating to the smaller number of female registrants, 2414, will be $\pm 2.0\%$. Note though that this measure of reliability only compares the sample selected with the total information on the flood registration database. It says nothing about how reliably the registration database reflects the real situation which can only be done by triangulating the results shown in the analysis with other information to assess how robust it is.

have been comparatively wealthy pre-flood, there is no guarantee that they will have any resources left to rebuild; they may now be just as impoverished as everyone else.

Main Concerns of the Registrants and Special Needs

- 5) Shelter was the most pressing need for over 80% of registrants, followed by employment (66%) and health (67%) in that order. Half of the households registered children’s education with 40% mentioning water.

The Three Most Important Issues for the registered families

	Affirmative Responses
Shelter	80%
Employment	66%
Health	67%
Children’s education	51%
Water	41%

- 6) The most important special needs recorded of the registrants were women at risk, single parent households and older person at risk, all relating to around 13% - 10% of households. Physical disability affected 8% of families with the other high risk categories having responses of 5% or less.

Special Needs in the Registered Families

	Affirmative Responses
Women at risk	13%
Single parent	11%
Older person at risk	10%
Physically disabled	8%
Pregnant women	5%
Unaccompanied child	1%
Missing family members	1%
Separated child	1%

Assistance Received by the Registered Families

- 7) At the time of the registration for Phase I of the CDCP before the issuances of Watan card, very little percentage of the affected families had received any form of cash payments or BISP payments. Food assistance, on the other hand, has been received by 68% of the registered families, followed by health services at 19% and Non food items (13%).

Types of an Assistance received by the Families

	Affirmative Responses
Food Assistance	68%
Health Care	19%
Non food items	13%
Shelter	7%
BISP Monthly Payments	3%
Education	3%
Cash Assistance	2%

Sources of Income

- 8) For male beneficiaries with regard to sources of income, over half of the families received income from agriculture and a third from laboring jobs, whilst remaining reported income from mainly daily wages, salaried jobs and livestock (6% to 9%).

	Affirmative Responses
Agriculture	53%
Un-skilled labor	34%
Daily Wages	9%
Salaried Job	6%
Livestock	6%
House Wife	1%

- 9) For female beneficiaries, the main profession is housewife' being 68%, highlighting dependency for income from other sources. Whilst with only around 16 to 17% of these female beneficiaries received income from agriculture and un-skilled labor.

Intention to stay at place of Displacement

- 10) For most of the respondents the intent to stay at place of displacement was highest for 1 month being 55%, with lesser percentages intending to stay for lesser periods. Whilst around 17% had no idea for how long there were to stay at the designated camp, school, open area or a host family.

	Affirmative Responses
From where we came	84%
New place	2%
Relative / friend	2%
No response	12%

- 11) In case of intention to return for the beneficiaries about 84% of the reported to return from where they were initially displaced, whilst only about 2% reported relocation to a new place or to stay at a relative or friend. Whilst around 12% provided no response. It must also be noted that about 40% of these respondents had children who were attending school.

	Responses
1 month	55%
2 months	20%
3 months	6%
4 to 6 months	1%
do not know	17%

Annex 11: Economic and Financial Analysis
PAKISTAN: Flood Emergency Cash Transfer Project

1. This annex first outlines the economic rationale for investing in the CDCP, looking at the theory and the evidence base on the impact of cash transfer programs (on consumption, poverty, labor, investment and human capital outcomes) in general and in post disaster situations. This will include highlighting the advantages of cash transfers over alternative interventions. The economic rationale will then analyze the case for cash transfers in the Pakistan context using data from flood damage assessments, the flood registration database and poverty analysis pre and post floods. The expected benefits of the CDCP at the household level and impact on poverty will be described. Finally, we conclude with a financial analysis of the program costs and efficiency.

A. Background and Global Experience on CT programs

2. **Cash transfers - programs that directly transfer cash to targeted poor households giving the choice on how the money is used to recipients - have become an increasingly popular social safety net and development tool in middle and low income countries since the late 1990s.** A wide variety of programs exist, ranging from small, narrowly targeted regional programs to large scale national programs covering millions of households in LAC. Transfer amounts range from 1% to 30% of average pre-transfer consumption levels. Some programs – particularly in LAC - are conditional cash transfers (CCTs), which impose co-responsibilities on recipients to make pre-specified investments in child education and health, normally keeping children in school and regular health visits for children and mothers.

3. **The use of cash grants has also become more common in post disaster/emergency response situations,** complementing traditional in-kind support programs used in the immediate humanitarian relief phase³⁵. It has assumed a growing role in the Bank's post disaster support, including in its response to the earthquakes in Turkey and Pakistan and the tsunami in Sri Lanka and Maldives.

B. Economic Rationale for Investing in the CDCP

(i) Rationale for cash transfers: theory and evidence

4. **There are potentially strong efficiency and equity gains from using cash transfers³⁶.** Why use scarce public resources to give cash to the poor? Why not use it instead on public investments in infrastructure, health and education? **Equity gains would be achieved if direct cash transfers are more effective than alternative interventions in reaching the poor.** Subsidies have been a common tool; but aside from creating price distortions, they have often been regressive, benefiting mostly the urban non-poor. Mexico's *Oportunidades* was designed to replace badly targeted, inefficient food subsidies in Mexico that had had limited impact on poverty. **In addition, there will be efficiency gains in the presence of market failures such as missing or imperfect credit and insurance markets,** which make poor households liquidity constrained and risk averse. A steady stream of cash transfers would enable and induce

³⁵ Described in Cash transfer programming in emergencies, edited by Creti, Panateali, and Susanne Jaspars (2006)

³⁶ Drawn from Chapter 2 in Fiszbein and Shady (2009)

households to increase investment in profitable activities in education and livelihoods. Cash transfers maybe an easier solution than correcting the structural failures in the credit and insurance markets.

5. However, these efficiency gains could be negated by perverse incentive effects on the labor supply. This can happen in two ways: 1) if leisure is a normal good, then raising income levels may result in increased leisure and reduced labor; and 2) if recipients cut back on work in order to qualify for transfers. On the other hand, if liquidity and credit constraints and the lack of risk management tools limit labor mobility for the poor³⁷ then a cash transfer could actually have a positive effect on labor, inducing workers to engage in higher risk and reward work or migrate to find work.

6. **Cash transfers are one of the most heavily studied development programs.** A large number of carefully constructed impact evaluations have been conducted. The randomized assignment and phased rollout design of many programs – particularly CCTs - enables comparison of outcomes among families in the program with credible counterfactuals /control groups of families outside the program. The difference in outcomes between the two groups can be taken as an estimate of the program’s impact.

7. **These evaluations create a very strong body of evidence³⁸ that shows well designed and managed³⁹ cash transfers have had strong positive impact, providing both immediate poverty relief and support to longer term poverty reduction by enhancing child human capital.** Cash transfers have significantly raised the consumption levels of beneficiary households. Typically the grants are spent on things that we would consider welfare promoting such as food, clothing, health and education. Effective targeting to the poor means that increased consumption has resulted in poverty reduction. The programs have also raised investment in child health (increased usage of health services) and education (increased enrollment and attendance). Offsetting adjustments that could have blunted the impact of transfers on consumption and poverty, such as reductions in the labor market participation of beneficiaries have been negligible. Instead, there is some evidence that transfers have been used to invest in productive assets, which should increase the long term income-earning abilities of households. There is also evidence of positive spillover effects on the local economy through increased demand for local services and goods. Details of the various effects of cash transfers are provided in Box 1 below.

8. **Results of cash transfer programs in Pakistan also show that households spend cash grants sensibly.** Self reporting by BISP beneficiaries in 2009 indicated that 32% of benefits were spent on basic food; 23% on medical expenses; 10% on debt payments; and 7% on clothes.

³⁷ Levy (2006) cited in Hanlon, Barrientos and Hulme (2010) pg 70

³⁸ Compiled and analyzed in detail in Fiszbein and Shady (2009) and Hanlon, Barrientos and Hulme (2010). Both books conclude that cash transfers have had a positive impact. Fiszbein and Schady use evaluations of CCTs in LAC (including the oldest and largest programs: Mexico’s Oportunidades, Colombia’s Familias en Accion, Brazil’s Bolsa Familia) and Asia. Hanlon et al uses additional evaluations on unconditional transfer programs in South Africa, Bolivia and Namibia. The evidence from these books is summarized Box 1.

³⁹ Critical success factors include: good targeting, transfers are not insignificant amounts, programs are structured to not disincentivise labor and complementary interventions, in particular on the supply side of health and education.

Box 1: Summary of evidence of the development impact of cash transfer programs

Impact on consumption and poverty: cash transfers have raised consumption levels (more and better food) and reduced poverty

- *Cash transfers have significantly raised consumption levels of households. Typically the grants are spent on things that we would consider welfare promoting e.g., main increases in spending were on food (on average 50%), children's clothing, health and education in Brazil, Mexico and Colombia. Beneficiary households in Colombia, Ecuador, Nicaragua and Mexico spent a higher percentage of total expenditure on food⁴⁰ and the quality of foods consumed was higher. These results may be driven by the fact that transfers are paid to women and empirical evidence show that when the mother control resources, more is spent on food and children's education and health. Note that expenditure patterns vary with different program design, context (if there have been external shocks) and geography. For example, evaluations of cash transfers in emergency situations in Africa and Asia found cash grants, in addition to good, health and education, being spent on repayment of loans, livestock and agricultural inputs.*
- *As cash transfers have been successful in targeting the poor using geographical and proxy means testing⁴¹, higher consumption translated into significant poverty reduction. The magnitude of the effect is largely determined by the size of transfers and effectiveness of the targeting. Additional economic benefits come from positive demand spillovers as the poor tend to purchase local goods and services produced by other poor people. Positive multiplier effects on the local economy have been found in Brazil, Malawi and South Africa.*

Impact on labor: little evidence of beneficiaries working less, some evidence of increased labor participation and mobility.

- *Little evidence has been found that cash transfers reduce the labor supply of the adult poor. Research on Cambodia, Ecuador and Mexico showed that adults in households receiving transfers did not reduce work effort, while in Nicaragua there was a negative effect, possibly because the level of transfer relative to consumption is very high there. CCTs have resulted in substantial decreases in child labor in Brazil, Cambodia, Ecuador, Mexico and Nicaragua, but these were desired, intended effects of the conditions in those programs.*
- *Labor participation and mobility actually increased for adults in South Africa, Brazil and Mexico. Numerous South African studies on the impact of cash transfers on job seeking and employment show that people on low incomes react by trying to find jobs or increase wage. One study showed that 15% of adults look for work and 9% find jobs in households receiving transfers compared to 13% and 7% respectively of adults in similar households not in the programs. It is thought that pensions and child support lower the risks and cover the costs of childcare and migration so that grandmothers can look after children while the adults migrate and seek work. In Brazil 3% more adults in Bolsa Familia households participate in labor market compared to similar households not in the program. Rural households in Mexico switch their labor allocation from agricultural to nonagricultural activities⁴². These results suggest that the income elasticity of leisure is low at low levels of income and that the poor do face binding liquidity constraints with respect to their labor choices.*

Impact on productive investments: cash transfers have been used to make productive, income-generating investments, which should raise income and consumption levels in the long term.

- *Whether cash transfers have long term effects on consumption and poverty will depend on whether part of the transfer is saved and invested or if it encourages households to gain credit elsewhere. The evidence suggests that the poor do know how to make productive investments but face liquidity constraints. In South Africa, recipients used money to buy goods for reselling. In Bolivia, pension beneficiaries used money on farm inputs and animals to increase agricultural production. Overall consumption increased by twice the amount of benefit. Gertler, Martinez and Rubio-Codina (2006) found that Oportunidades recipients in rural Mexico increased*

⁴⁰ The programs resulted in upward shifts of the food Engel curves not moves along them.

⁴¹ For example, 74% of transfers go to the poorest quintile in Brazil. Fiszbein and Shady (2009)

⁴² Skoufias, Unar and González-Cossío (2008) analysis of the Food Support Program (*Programa Apoyo Alimentario*) in Mexico which targeted households not covered by Oportunidades by giving cash and in-kind transfers. The results are similar for both types of transfers.

investment in micro-enterprises and agricultural activities. For each peso transferred 88% was used for consumption and 12% was invested. Investments were profitable, generating high returns of 17.6% (three times the real interest rate). Beneficiaries were able to increase consumption by 34% after 5.5 yrs in the program.

Impact on child human capital development: cash transfers have increased school enrollment and attendance and usage of health services.

- *CCTs have increased usage of health services and school enrollment and attendance among program beneficiaries.* Every program – whether in middle or lower income countries - increased school enrollment and attendance levels; the effects were higher among poorer households and when baseline enrollment was low to begin with. Usage of health services has also increased but mainly for child growth monitoring visits.
- *However, the evidence on final outcomes is fewer and results mixed.* Some CCTs e.g., Colombia, Mexico and Brazil, but not all, have shown improvements in child health and nutritional status – as measured by height for age and child morbidity. In terms of learning outcomes, there were generally no improvements found, especially among children of school age, suggesting that CCTs need to be complemented by interventions on the supply side.
- *Unconditional cash transfers have also delivered improvements in human capital accumulation.* For example, in South Africa, there was an increase in height for age and an increase in school attendance among children in families receiving the unconditional child support grant and social pensions.

(ii) Rationale for using cash transfers to support post disaster recovery: theory and evidence⁴³

9. **Apart from significant losses of life and physical destruction, disasters severely reduce household real incomes** when household assets are destroyed, demand for labor reduced and prices of goods increase. Aggregate shocks such as natural disasters weaken informal, community-based mechanisms for coping with the effects. **This leads to households adopting suboptimal, harmful coping strategies in response to income shocks**, including reducing food consumption, health and education expenditures, increasing in child labor, asset decapitalization and increasing borrowing (for basic needs). These coping mechanisms can create long term irreversibilities in child human capital development and damage long-term income-earning abilities.

10. **The poor typically have limited access to ex-ante and ex-post risk management instruments and therefore are more vulnerable to natural disasters and more affected by them when they occur.** Poorer households are less likely to have much household assets to sell and if they do not have access to government assistance are found to use the strategies of increasing labor supply or reducing consumption⁴⁴. Among the poorest, because their level of consumption is already low, the consequences of reduced consumption are potentially even more harmful.

11. **Post disaster, social protection mechanisms play a vital role in protecting basic consumption, reducing the need for harmful coping strategies and supporting recovery**⁴⁵. In post disaster response, the first stage is immediate relief (0-6 months), where the focus is on keeping people alive and safe and ensuring their basic needs are met, often through in-kind humanitarian assistance as private supply of basic goods and services have been disrupted. The

⁴³ Vakis, 2006; De Janvry, Sadoulet, Solomon and Vakis, 2006; Skoufias, 2003; Heltberg (2007); Creti and Jaspars 2006; Gore and Mahesh Patel (2006); OPCS 2008; Grosh 2008

⁴⁴ Social Protection in Pakistan: Managing Household Risks and Vulnerability, World Bank 2007

⁴⁵ Heltberg (2007); Creti and Jaspars 2006; OPCS 2008.

second stage – before long term reconstruction and development - is recovery (6-24 months), where the focus is not only in protecting basic consumption but also in recapitalizing assets and restoring livelihoods. Social protection mechanisms are important at this stage as community resources have been destroyed or exhausted.

12. Cash transfers offer significant advantages over traditional in-kind support at the recovery stage: flexibility to meet diverse needs, faster delivery, lower overhead costs, positive spillover effects onto the local economy as well as dignity and empowerment of the recipient. Major disasters impact multiple aspects of a family's life – livelihoods can be destroyed, housing damaged or lost, breadwinners injured or killed. Even for those who have lost their houses, some may have access to materials and need to pay labor while others need to buy inputs. Cash grants allow recipients the flexibility of choosing where to put their resources based on their specific conditions and priorities. Moreover, cash transfers face less logistical challenges in delivering and once the administrative systems have been set up, the cost of distributing cash transfers will be far less than the cost of distributing in-kind assistance. Finally, cash grants are more likely to have positive spillover effects on the local economy once private markets are again functioning, accessible and integrated across region. Creti and Jaspers (2008) report that evaluations of Oxfam programs in Bangladesh, Cambodia, Kenya, Uganda, Afghanistan, and Haiti found recipients preferring cash-based programs to commodity-based assistance because cash gave them choices: to buy goods and services according to their own priorities, to meet immediate needs, and to invest in future livelihood assets.

13. Household cash transfers that focus on private recapitalization, should be seen as a complement (rather than an alternative) to interventions such as public works that focus on rebuilding public assets such as infrastructure.

14. There can be an economic rationale for conditioning cash transfers when there is sub-optimal private investment in child human capital. Within cash transfers, there is a range of design choices. A major one is whether to make it conditional (a CCT) or not. Imposing constraints on a household's optimization problem is generally not desirable; rather we seek to provide people with more choice. Moreover, CCTs are more complex and costly to implement than simple cash transfers. However, there may be economic benefits of raising levels of private investment in child human capital when it is *below*⁴⁶ the socially optimal level. This could happen because households underestimate the returns on education; altruism is incomplete between parents and children; and the presence of positive externalities. Studies suggest that all of these do occur⁴⁷. CCTs can increase the investment levels towards socially optimal levels by reducing the opportunity cost of studying (relative to working) for children so that there is a 'price' effect in addition to the income effect of the cash transfer. Although non-conclusive, the

⁴⁶ Note, if this is not the case, CCTs could distort behavior by inducing *over* investment into schooling and health. For example if the quality of schooling is so bad it is genuinely a waste of time to send children to school but the conditions induce school attendance.

⁴⁷ Studies in Mexico and Dominican Republic have shown that expected returns to education, especially among the poorly educated, are lower than actual observed returns. The presence of gender disparities in schooling is evidence of the principal-agent/incomplete altruism problem. There is also evidence of health and education externalities, e.g., learning spillovers to other workers and lowering of crime.

current evidence suggests that conditions do increase use of child education and health services more than a transfer alone would⁴⁸.

15. In addition, there could be little public support for redistribution unless it is perceived to be conditioned on good behavior by the ‘deserving poor’. There is emerging evidence that people are willing to reward others who they think are 'deserving'. CCTs are viewed in many LAC countries as not social assistance but a social contract. The costs from imposing conditions when no market failure exists could be outweighed by the increase in the overall size of transfer that is funded.

16. However, in post disaster environments the costs and risks of delay of implementing CCTs are likely to outweigh the additional positive effects of co-responsibilities. While CCTs are likely to better protect child human capital from shocks⁴⁹, setting up essential implementation arrangements for targeting, payments and monitoring of CCTs - when no system existed before - takes considerable time and administrative resources. In post disaster environments, the need for a timely response and the likelihood of reduced administrative capacity and supply of health and education services make them less suitable than simple cash transfers. Heltberg (2007) concludes that: *‘conditional cash transfers require investment in systems to verify education compliance and are therefore inappropriate for short-term disaster response but could be considered for longer-term efforts’*. Fiszbein and Schady (2009) also conclude that CCT is unlikely to be the best instrument for dealing with transient poverty and short term shocks because: 1) it is administratively difficult to add and remove beneficiaries; 2) households eligible for CCT may not be the ones worse affected by the shock; 3) households will find it difficult to make long term human capital investments when the future is uncertain.

17. Evaluations of emergency cash transfer programs – including World Bank supported programs in South Asia - have been positive and emerging international best practice suggests that post-disaster income support is usually best provided as cash⁵⁰. Based on experience of cash transfers in emergencies, Harvey (2005)⁵¹ concludes that: *“People spend the money that they are given sensibly, cash projects have not generally resulted in sustained price rises and women have been able to participate and have a say in the benefits from cash and voucher responses.”* Heltberg (2007) in evaluating the World Bank’s support for large-scale government implemented post disaster income support programs in South Asia (Sri Lanka,

⁴⁸ Schady (2009) cite studies in Mexico and Ecuador that which found that households that did not believe the conditions were real were less likely to enroll their children at school suggesting that effects are likely to have been smaller in the absence of conditions. A Bank study using data from an intervention in Malawi that featured randomized conditional and unconditional treatment arms, first found that there was no difference in impact (both positive) between the two arms on school attendance but later with more data found that the conditional arm had a higher impact. explicit conditions. Recent evidence from an experimental study on Malawi by the Bank found that CCTs were more effective than unconditional cash transfers in human capital outcomes.

⁴⁹ De Janvry, Sadoulet, Solomon and Vakis (2006) showed that there was no impact on school attendance among households in CCT programs in Mexico, Nicaragua and Honduras exposed to idiosyncratic and aggregate shocks such as slumps in international coffee prices.

⁵⁰ Heltberg (2007); Creti and Jaspars (2006)

⁵¹ Cited on pg 266 of Grosh (2008)

Maldives and Pakistan⁵²) found that it was largely positive, complementing other relief and reconstruction efforts.

18. Beneficiary households have made prudent use of emergency cash transfers spending it on basic consumption as well as to re-establish homes and restart livelihoods.

Evaluations of cash transfer programs in emergency situations, including in Uganda, Afghanistan, Haiti, Kenya, Indonesia and Ethiopia for Oxfam in Creti and Jaspars (2006)⁵³ found that beneficiaries of cash-transfer programs use the cash mainly for food purchase, repayment of loans, school books/fees/uniforms, healthcare, clothes, livestock, and agricultural inputs. In some programs some cash was spent on items considered non-essential e.g., cigarettes in terms of nutrition or livelihoods. Creti and Jaspars point out that the same risk exists with in-kind distribution with people using released income to buy non-desirable goods. It was also found that the nature of recipient's expenditure can vary enormously according to the context, including other types of relief distributed at the same time, the method of payment, the quantity of cash distributed, the timing of payment in relation to the seasonal calendar and the geographical region. For example when there is food aid, cash is less likely to be spent on food. In general, the larger the payment, the more likely this will be spent on livelihood recovery.

19. There is also evidence of positive spillover effects from the cash transfers on the local economy.

Few evaluations have been conducted on the effect on the local economy of cash transfers in emergency situations. Of the emerging evidence, the results are positive. The bank supported program in Maldives was found to have helped revive local markets (Heltberg, 2007). An evaluation of a USAID funded cash transfer program to 100,000 poor rural flood affected families in Mozambique found that 55% of the grants were spent in the villages thus generating significant multiplier effects on the local economy⁵⁴. An evaluation of an emergency cash transfer program in Malawi for 11,000 drought-affected farmers in 2006 found widespread benefits for the regional economy as a whole (with multiplier estimates of 2 to 2.45) and particularly for small farmers and businesses⁵⁵. Harvey (2005) cites program evaluations which show local traders can benefit in terms of increased turnover and multiplier impacts, estimated to be in the range of 1.5 and 2.6 in Mexico.

(iii) Rationale for a cash transfer program in response to the Pakistan floods

20. The worst floods in Pakistan's history have created a massive need for recovery and recapitalization.

The National Disaster Management Authority (NDMA) has estimated that the floods affected seventy-eight districts and covered over 100,000 square km. The floods have

⁵² In the Maldives, all affected households (one-fifth of the population) received the tsunami cash assistance, most of them within a month. In Sri Lanka, livelihood and housing reconstruction cash grants were given to some 250,000 households (in the first round), covering all of the affected households and even some that were not directly affected; later tranches of cash grants were therefore targeted more narrowly. In Pakistan, Bank supported cash grants were given to 250,000 households, approximately 30% of all those affected, selected among the vulnerable

⁵³ Other organizations that utilize cash grants in emergencies such as UNICEF and USAID (Abt Associates, 2002 and Brandstetter, 2004) report similar findings.

⁵⁴ Abt Associates, 2002

⁵⁵ Davies and James Davey, 2007

affected more than 20 million people⁵⁶, with over 1,980 reported deaths and nearly 2,946 injured. About 1.6 million homes have been destroyed and 2.4 million hectares of crops have been damaged.

The Multi-Cluster Rapid Humanitarian Needs Assessment (McRAM) conducted in August 2010 found that 42% of households saw their houses totally destroyed. 40% of households lost all food stock. Agricultural losses were dramatic: in GB, Punjab and Sind households estimate losses to cropland of between 90% and 100%. Farm and non-farm livelihoods were severely affected with 60% of households describing themselves as without a main source of livelihood post floods. 53% of households reported 76-100% decline in household incomes.

The self-reporting of flood registrants indicated severe household damage and loss in flood-affected communities: 95% of households reported some form of damage to their house, for most, the damage was complete. Half of households suffered damage to crops and orchards and 30% lost livestock in some form or other. There were numerous differences between provinces in terms types of asset loss suffered by households.

21. The floods are likely to have worsened the poverty situation in Pakistan. The floods disproportionately affected the poorer districts of the country – the pre-flood individual poverty rate of flood affected districts was 20.2% and in non-flood affected districts 14.3% in 2007-8⁵⁷. Half of flood registrants recorded agriculture as a source of income while a third cite unskilled labor – employment types that are highly correlated with poverty– while only 6% report salaried job⁵⁸. For those already poor, the external shock would have made them fall deeper into poverty, while the high proportion of population just above the poverty line – the vulnerable – are likely to fall below the poverty line. Bank analysis estimated that the post-flood poverty rates were significantly higher than the pre-flood poverty rates in the flood-affected areas: 32.7% post flood vs. 19.7% pre flood in Punjab; 30.3% vs. 18.2% in Sindh; 33.2% vs. 19.4% in KP; 44.9% vs. 38.7% in Balochistan.

22. Support to households will be essential in mitigating the adverse effects of income shocks and household poverty. In Pakistan, households faced with income shocks adopt coping strategies including: reduction of assets, increased borrowing, reduced consumption, increased labor supply – often meaning taking children out of school to work⁵⁹. The McRAM survey found a range of harmful coping strategies being deployed by flood affected households: taking on debt (one third of households), selling of assets such as livestock, reducing meal size, switching to lower quality foods, and mothers stopping breast feeding.

⁵⁶ This total is greater the combined total of those affected by the Indian Ocean Tsunami, the Burma cyclone and both the Pakistan and Haiti earthquakes, put together,

⁵⁷ This was driven by floods affecting poorer districts in Punjab and Sindh. All districts in KP were flood affected. Source: Social Protection team analysis using the 2007-8 Pakistan Social and Living Standards Measurement Surveys(these numbers have not been endorsed by GoP).

⁵⁸ Compared to 20% of workers are in salaried jobs nationally (Pakistan Labor Force Survey, 2009)

⁵⁹ Social Protection in Pakistan: Managing Household Risks and Vulnerability, World Bank 2007 and Modernizing Safety Nets in South Asia: Improving Regional Responses to Chronic and Transient Poverty, Celine Ferre and Mansoor Rashid, 2010, unpublished manuscript.

23. **The wide range of losses and shocks suffered by flood-affected households creates a strong rationale for the flexibility of cash transfers.** The flexibility of cash transfers will be critical to meet the different needs and priorities of households: rebuilding homes (or relocating out of the flood zones in some cases), replenishing lost assets such as livestock, investing in agricultural inputs, building up depleted food stocks. In the McRAM survey 80% of non agricultural households cited finance as one of the major needs for livelihood recovery. Agricultural households cited land reclamation and inputs as top needs. Lack of money was one of the top concerns when it came to housing. Markets are widely believed to be functioning and accessible, creating conditions that are conducive to cash transfers.

24. **Existing cash transfer programs in Pakistan are limited in scale, targeting efficiency and ability to respond to shocks.** In 2006/70 the two main cash transfer programs covered approximately 3.2 million households but were poorly targeted and ineffectively managed⁶⁰. In 2008 the Government of Pakistan (GoP) launched the Benazir Income Support Program (BISP) as its main nationwide social safety net program. BISP is in the process of carrying out a nationwide poverty targeting survey.⁶¹ This is a huge task and BISP - a new organization just developing its own systems and structures – does not have the capacity to scale up or administer additional national cash transfers at the moment. At the time of registering, only 3% of registrants reported having received BISP payments and 2% other cash assistance – in comparison 68% had already received food assistance⁶². Therefore there is a need for a rapid response cash transfer program specifically focused on supporting immediate recovery of flood-affected households.

C. Expected Benefits of the Program

(i) Expected program benefits

25. Based on the impact of cash transfer programs in other post disaster relief/similar contexts, we outline the expected benefits of Phase II of the CDCP. It will not be possible to quantify the estimated economic benefits and conduct a cost-benefit analysis as we cannot predict the specific goods and services the recipient households will chose to spend the cash transfer on and the overall effect on household consumption and investment. The impact evaluation to be carried out will enable us to estimate the size of the economic benefits of the CDCP.

26. **The IT payment systems being deployed in the CDCP are key.** Smartcards and biometric systems have proven to be a quick, secure and cost-effective method of directly distributing cash to households/individuals in developing country contexts, including in post

⁶⁰ These two programs were Zakat and Food Support Program administered by Bait-ul-Mal. Both these agencies also administer various other program but the initiatives are small scale, disparate and ineffectively coordinated.

⁶¹ The national social safety net development through BISP is with World Bank Technical Assistance support and a Development Policy Credit (US\$200 million).

⁶² Other in-kind/direct relief efforts provided - reported end Jan 2011 by the UN Pakistan OCHA: school rehabilitation and temporary learning centres for 300,000 students; seeds and fertilizer for 500,000+ households; emergency shelter for 865,000 households; 300,000 households are targeted to receive livestock.

disaster relief and other difficult situations⁶³. For example, biometric smartcards were used successfully in rural Malawi to provide emergency cash payments to drought-stricken farmers in 2006⁶⁴. These technologies reduce the risk of diversion of funds through corruption and fraud by bypassing layers of bureaucracy, avoiding concentration of large sums of money and improving verification of intended beneficiaries. The use of smartcard payment system to distribute employment guarantee and social payments to some 5 million people in Andhra Pradesh was more convenient for beneficiaries (less waiting time) and reduced fraud at the back end (by identifying fictitious beneficiaries during the enrolment stage⁶⁵). Recipients surveyed in the rapid assessment of CDCP Phase I liked the Watan card payment system with over 95% receiving the Watan cards receiving the full payment amount. However, a few reported being asked to pay a fee to receive the Watan card.

27. Given the above, we expect to see a number of benefits for flood affected households receiving cash payments under Phase II of CDCP: 1) Increased expenditure and consumption of food and other basic goods and services such as healthcare; 2) Reconstruction of housing; 3) Increased investment in income-generating goods such as agricultural inputs; 4) Protection and recapitalization of productive assets such as livestock; 4) Repayment of debt that had been taken on to cover basic consumption; 5) Reduction in other harmful coping strategies such as taking children out of school to work. We do not expect offsetting adjustments such as reduction in labor market participation of adults in beneficiary households. We also expect positive spillover effects on the local economy of communities that have significant numbers of beneficiary households.

28. The Bank's rapid assessment of Phase I of the CDCP in 4 provinces found that households surveyed spent their money on food, medicines, household assets, repair of housing and construction and livelihood assets⁶⁶. A household level survey conducted by IRC in northern Sindh found similar results: the first Watan card payment was used for food, transportation, paying off debt and healthcare⁶⁷. Although the results from these two surveys are not reliable estimates of the average effects of cash grant on households as their samples were small and non-representative, the results are in line with the expected effects. We also expect that the effects of Phase II will differ from Phase I due to the different size of grants and evolving needs of households. For example, we expect households to use more of the first payment to cover basic needs⁶⁸. A higher proportion of further payments are expected to be used to reconstruct damaged housing or invest in livelihood assets.

⁶³ Gelb and Decker, 2010 and Alain Gelb's work on the use of smartcard technology and biometrics in cash transfers in developing country contexts at the Center for Global Development

⁶⁴ Devereux, 2008

⁶⁵ Johnson, 2008

⁶⁶ Out of 74 beneficiary households surveyed, 59% of households used WATAN on food, 43% on repair of housing, 24% on household assets, 23% on clothing, 22% on medicines, 9% on livestock and 9% on agricultural inputs.

⁶⁷ Responses from 311 households to the question on what purchases they have already made or intend to make using the Watan card payments. On average, each household gave two answers. % of households using the grant on food: 66%; transportation 33%; paying off debt 26%; health: 20%; housing and shelter: 13%; livelihoods: 13%.

⁶⁸ Creti and Jaspers, 2006 conclude that any grant given where basic needs are not met will be put towards basic needs first. before being spent on rebuilding livelihoods. In general, the larger the payment, the more likely it will be spent on livelihood recovery.

(ii) Number of estimated beneficiaries

29. **Between 1.1 and 1.2 million flood-affected households will benefit from the cash grants in Phase II of CDCP.** As there are, on average, 6.9 people per household in flood affected areas in Pakistan the project is expected to benefit directly between 7.5 and 8.3 million people.

(iii) Expected poverty impact

30. **A significant proportion of the 1.1 to 1.2 million beneficiary households are expected to be poor or vulnerable.** From the profile of flood registrants - more than 90% of registrants work in employment that is highly correlated with poverty: agriculture, daily wage work and unskilled labor. Estimated poverty rates in flood affected districts are between 30 to 45% at the provincial level post flood. Phase II targeting criteria includes a provision to enroll vulnerable flood affected households who would not otherwise qualify under Phase II criteria – namely did not suffer housing damage (but could have suffered other damage and loss).

31. **The CDCP Phase II total payment amount of 40,000 rupees can contribute to alleviating immediate and longer-term poverty.** For example, if families use 3,500 per month⁶⁹ for basic needs for six months, 20,000 rupees would be left over for reconstruction and investment in livelihood assets. If the payments are used to recapitalize assets, the program should have a positive effect on income and consumption of households after the program ends.

D. Financial Analysis

(i) Program cost and overall program cost efficiency

32. **Given the scale of the program, the intensive use of existing systems and slim procedures through mostly government agencies, it is estimated that CDCP will be a cost efficient program with low administrative costs, not exceeding 5% of total program costs.** In the case of cash transfers understanding the administrative costs of the program is important for understanding the program's efficiency⁷⁰. To maximize the level of transfers reaching beneficiaries, the desire is to minimize the administrative costs of delivering the transfers successfully to recipients. CDCP compares favorably with international efficiency benchmarks for safety net programs. On average, administrative costs on well-executed cash or near cash programs are 8-9% of total costs, while food-related programs are 22% on average due to the costs of logistics and high cost of imported foods⁷¹.

⁶⁹ This would not be unreasonable given that 3,500 is 50% of the minimum wage in Pakistan and would be adequate taken together with the in-kind support given by NGOs in Pakistan to replace lost income of the poor and vulnerable.

⁷⁰ Full cost effectiveness/cost-benefit analysis is rarely undertaken by safety net programs, rather individual elements such as efficiency in procurement, service delivery are examined (Grosh, 2008). A detailed cost-benefit analysis of Colombia's Familias en Accion that values the benefits in terms of increased future earnings from investment in child health and education against the public and private household costs found that the benefit to cost ratio was 1.59, which is high by traditional cost-benefit standards.

⁷¹ Fig 9.2 in Grosh (2008)

(ii) Fiscal sustainability

33. **The objective of CDCP is to support the short-term recovery of flood-affected households rather than provide a permanent safety net system for the chronically poor with longer term development goals.** Therefore the program will not need to be fiscally sustained after Phase II has been completed. Pakistan is in the process of expanding the national safety net program: the Benazir Income Support Program. With the completion of poverty scorecards this year, it is estimated that it will expand from 2.8 million families in 40 districts to 5 million families in the entire country, providing each family with 1,000 rupees per month. Additional BISP payments to be conditioned on primary school enrollment and attendance are also being planned. CDCP households that have not sufficiently recovered and are still poor and vulnerable at the end of Phase II of CDCP should be covered or transitioned onto BISP.

Annex 12: Best Practices of Cash Transfers for Emergency Response

Findings from international and Bank experience

PAKISTAN: Flood Emergency Cash Transfer Project

1. **This annex summarizes some of international best practices in designing and implementing effective cash transfers in emergency situations**⁷². Annex 10: Economic and Financial Analysis outlined the rationale for using cash transfers in emergency situations and the evidence on their effectiveness in protecting basic consumption, preventing harmful coping strategies and recovering livelihood assets. From international experience of cash transfers in emergency situations the design and implementation of programs: amount of cash grant, payment modalities, delivery mechanisms, communication, counseling/advisory services to recipients and monitoring and evaluation systems are critical for effective programs. Best practices in each of these areas as summarized below.

Amount of cash grants

2. Where the purpose of the grant is to support basic needs, international practice suggests that the benefit amount be arrived at by calculating the difference between the costs of essential goods and services and what a household is able to consume or acquire with their existing resources. Where cash is expected to be used for reconstruction purposes and to recovery livelihoods, amounts will need to be greater. As explained by Creti and Jaspars (2006) where a grant purpose is to rebuild livelihoods, the amount must take into account both basic needs and the cost of livelihood rebuilding/support as any grant given where basic needs are not met will be put towards basic needs first resulting in insufficient amounts to adequately rebuild livelihoods.

3. To determine the amount needed to cover the costs of essential goods and services, it is important to consider the following factors: 1) Whether the goods and services essential for meeting immediate needs can be supplied by the markets adequately without causing significant price increases, which would reduce the real income of households. The grant amount need to be account for anticipated price increases as a result of increased demand. For example, after the Tsunami Emergency support grants for housing were delivered, the demand for construction goods outstripped supply causing a rapid price increase; 2) What other assistance beneficiaries are receiving from other sources e.g., in-kind support; 3) Suboptimal coping strategies that are damaging to the families long-term well-being (such as selling off assets) should not be included in determining the existing resources available to beneficiaries.

4. To increase administrative ease in emergency situations, assistance can be provided for an average-size household (presuming socio-economic profiles, needs assessment or national demographic survey data is available) rather than be adapted to different household sizes.

5. Care should be taken to ensure that the payments to do not put the beneficiary in an over privileged position compared to other community members. Although the CDCP II payment amount is relatively large, given the extent of damage and loss incurred by flood-affected

⁷² Among others, it draws on the World Bank's 2008 publication on "*Cash Transfers Programs in Emergency Situations: A good practice and guidance note.*"

families, it should not put beneficiaries in an over privileged position compared to other community members, especially as the targeting will exclude the well-off and only the particularly poor and vulnerable will receive the maximum amount of 80,000 rupees. It is also important to note that previous disaster responses in Pakistan have utilized financial support in similar amounts as this program. The Pakistan Earthquake response gave grants in the case of death or injury in the amount of 100,000 rupees (USD 1,660) per death and 15,000 to RS 50,000 rupees for injury compensation depending on their Further support was also given for housing reconstruction and livelihood support. Support was capped at 500,000 rupees.

Timing and installments

6. Generally, smaller installments are preferred over single large payments as they allow for better monitoring and evaluation, give time for operational adjustments from lessons learned, and reduce security and corruption risks by lowering the amount of each individual transfer. Transfers to support basic needs are best delivered in quick, regular and relatively small installments, while livelihood support and reconstruction support require larger sums of cash. When planning the timing of installments considerations must be made for the local context – livelihood support may need to be tied to local agricultural or fishing seasons for example.

Delivery mechanisms

7. Effective delivery methods for payments are critical for a successful cash transfer program. The best methods are those that are safe, secure, and efficient in providing cash to beneficiaries while reducing the risks of security and corruption as much as possible. Thus the preferred delivery method is through a bank or other official financial institutions such as the postal system. Implementation is further improved when the agency has experience in providing social protection in this manner. The use of technology such as smartcards and cellphones to deliver cash payments have proven to be secure, cost-effective and customer friendly, even in low technology environments such as rural Africa.

Communication and Advisory and Counseling

8. Good communication: well targeted, clear messages using media and delivery channels accessible to beneficiaries is important to ensure that beneficiaries understand the criteria for selection and process of payment. Advisory and counseling services can be useful to help beneficiaries make good use of the grants, allocating it efficiently between consumption, reconstruction and investment. This is especially important when the grants are relatively large and recipients are not use to having large amounts of money at one time.

Monitoring and Evaluation

9. In addition to appropriate delivery mechanisms, transparency and leakage reduction can be achieved through further use of technology and the set-up of a management information system which tracks beneficiary and financial information. This requires a unique ID number for each beneficiary, preferably government ID. Such a system, where the payment - providing institutions and the program offices are linked - ensures data reports are timely and accurate, allowing for early detection and investigation of any potential problems that arise.

10. The data gathered by the MIS should be supplemented by beneficiary surveys, social impact assessment and financial audits done by external consultants. M&E is always easier where baseline data on the program’s beneficiaries is available.

11. It is important to note that in post-disaster emergency response programs the cash grant is designed to mitigate the effects of a sudden-onset crisis. This means that design and implementation must be done quickly to be of maximum benefit. Often the World Bank and other donors are criticized for taking too long in design and implementation. This can result in client countries moving forward on their own before program systems are finalized resulting in poor M&E systems.

12. The following table, taken from OCPS guidance note on cash transfers, outlines the pros and cons of the various control and accountability measures commonly used to evaluate programs and monitor for leakages and other problems. CDCP will include a number of the control and accountability mechanisms: operational audits (which will include spot checks and database checks), independent external evaluations and linkage with civil society organizations, which can provide feedback to the program.

Table 1: Pros and Cons of Selected Control and Accountability Mechanisms

Mechanisms	Pros	Cons	Where?
<i>Top Down</i>			
Supreme audit Institutions	Country systems, resources, international standards	Influence/effectiveness depends on their standing in country	Nearly all LAC countries
Public prosecutors	Accountability, consequences for corruption	Impact limited, few cases, expensive	Argentina
Crosschecking data bases	Inexpensive, quick	Need to have technical prerequisites in place (unique ID, informatics capacity and expertis	Argentina
Concurrent operational audits	Provides timely information that can be acted on in the short-run	Cost considerations	Argentina
Spot checks	Manageable, provides quick feedback on implementation	No significant drawbacks	Colombia, Argentina
Public disclosure of information on program	Transparency, not costly since program should have information	Privacy issues	Brazil
Call centers/help lines	Client service, important in decentralized environments, accountability	Needs to operate very well, or can be ineffective	Argentina, Brazil
Independent external evaluations	Objective and through	Delays in results, expensive to do everywhere	Colombia, Brazil, Argentina
<i>Bottom-Up</i>			
Community and municipal commissions with civil society, beneficiary participation	Takes advantage of skills/ commitments in some places, may be closer to beneficiaries	Depends on volunteers, role needs to be defined carefully, can’t make up for general weaknesses	Argentina, Brazil
Committees of mothers	Empowerment of beneficiaries, close to clients, strong self	Depends on volunteers, may become “intermediaries”	Colombia

Mechanisms	Pros	Cons	Where?
	interest		
Civil society Organizations	Third-party, close to client	Potential conflict of interest, lines of accountability?	Argentina, El Salvador

Annex 13: Documents in Project Files
PAKISTAN: Flood Emergency Cash Transfer Project

Government of Pakistan

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Annex 14: Statement of Loans and Credits
PAKISTAN: Flood Emergency Cash Transfer Project

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P096745	2011	Punjab Barrages Improvement II Project	145.60	0.00	0.00	0.00	0.00	145.24	0.00	0.00
P112902	2011	Karachi Port Improvement Project	115.80	0.00	0.00	0.00	0.00	115.80	0.00	0.00
P121394	2011	KP and FATA Emergency Recovery Project	0.00	250.00	0.00	0.00	0.00	254.95	0.00	0.00
P115638	2010	Social Safety Nets DPC	0.00	200.00	0.00	0.00	0.00	50.06	-158.91	0.00
P114508	2009	3rd Partnership for Polio Eradication	0.00	74.68	0.00	0.00	0.00	15.21	11.70	0.00
P103160	2009	Social Safety Net Technical Assistance	0.00	60.00	0.00	0.00	0.00	35.07	-13.94	0.00
P102608	2009	Punjab Education Sector Project	0.00	350.00	0.00	0.00	0.00	104.78	38.05	0.00
P105075	2009	PPAF III	0.00	250.00	0.00	0.00	0.00	216.82	0.70	0.00
P101684	2009	Second Trade and Transport Facilitation	0.00	25.00	0.00	0.00	0.00	24.27	3.18	0.00
P107300	2009	SINDH EDUCATION SECTOR PROJECT (SEP)	0.00	300.00	0.00	0.00	0.00	102.56	43.46	0.00
P095982	2008	Electricity Distribution and Transmissio	173.60	83.10	0.00	0.00	0.00	197.57	99.18	0.00
P110099	2008	Water Sector Capacity Buidling Project	0.00	38.00	0.00	0.00	0.00	31.75	7.48	0.00
P089378	2008	Balochistan SSIP	0.00	25.00	0.00	0.00	0.00	20.29	12.41	0.00
P084302	2008	Sindh Water Sector Improvement Project	0.00	150.20	0.00	0.00	0.00	140.30	20.05	0.00
P090501	2007	Land Records Mgmt & Information Systems	0.00	45.65	0.00	0.00	0.00	38.39	12.88	0.00
P076872	2006	PIFRA II	0.00	84.00	0.00	0.00	0.00	22.08	19.55	0.00
P083929	2006	Punjab Municipal Services Improvement	50.00	0.00	0.00	0.00	0.00	29.88	29.88	6.88
P094086	2006	Balochistan Education Support Project	0.00	22.00	0.00	0.00	0.00	11.90	9.27	0.86
P099110	2006	Pakistan Earthquake ERC	0.00	700.00	0.00	0.00	0.00	203.90	-123.80	0.00
P077306	2005	Tax Administration Reform Project	24.40	78.50	0.00	0.00	49.16	18.89	64.35	0.00
P082977	2004	Second Poverty Alleviation Fund Project	0.00	551.00	0.00	0.00	4.35	0.05	-329.14	-15.46
P078997	2004	Sindh On-Farm Water Management Project	0.00	111.14	0.00	0.00	4.12	40.86	-5.90	0.00
P010556	2004	HIGHWAYS REHAB	215.00	280.00	0.00	0.00	0.00	164.71	-145.26	19.74
Total:			724.40	3,678.27	0.00	0.00	57.63	1,985.33	-	12.02
									404.81	

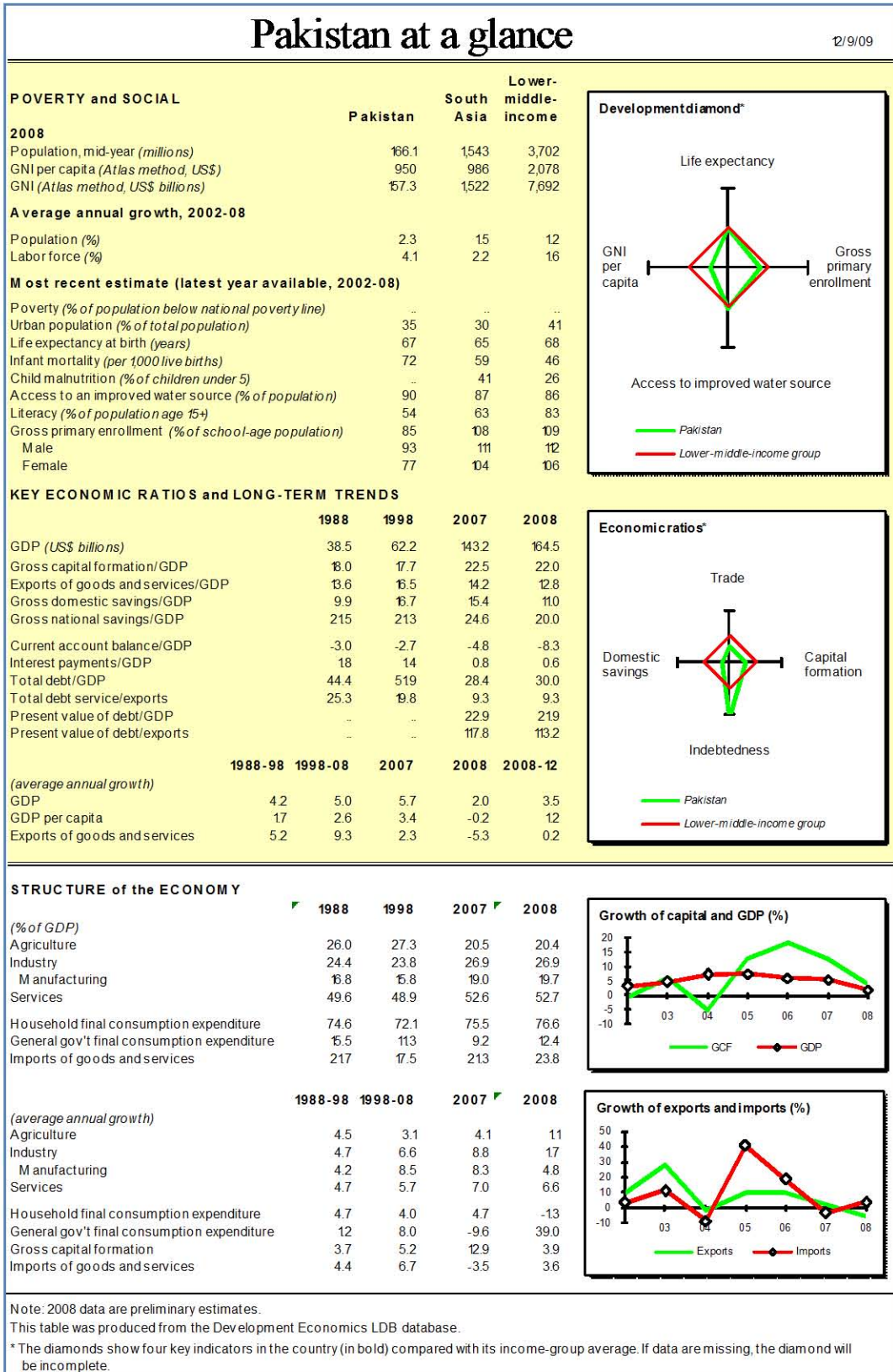
PAKISTAN
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2005	ABAMCO FUND	0.00	3.46	0.00	0.00	0.00	3.46	0.00	0.00
1995	AES Lal Pir	12.42	9.50	0.00	0.00	12.42	9.50	0.00	0.00
1996	AES Pak Gen	9.20	9.50	0.00	5.37	9.20	9.50	0.00	5.37
1995	Abamco Mgmt	0.00	0.29	0.00	0.00	0.00	0.29	0.00	0.00
1991	BRRIM	0.00	0.23	0.00	0.00	0.00	0.23	0.00	0.00
1993	Crescent Bahuman	0.00	0.31	0.00	0.00	0.00	0.31	0.00	0.00
1997	Crescent Bahuman	0.00	0.20	0.00	0.00	0.00	0.20	0.00	0.00
2001	Crescent Bahuman	2.72	0.00	2.50	1.50	2.72	0.00	2.40	1.50
2006	Dewan Petroleum	15.00	12.00	0.00	0.00	0.00	0.00	0.00	0.00
2004	Dewan SME	0.00	0.98	0.00	0.00	0.00	0.00	0.00	0.00
2003	Dewan Salman	25.00	0.00	5.00	0.00	25.00	0.00	4.00	0.00
1991	Engro Chemical	0.00	1.95	0.00	0.00	0.00	1.95	0.00	0.00
2006	Engro Chemical	0.00	0.64	0.00	0.00	0.00	0.64	0.00	0.00
2001	Eni Pakistan	12.00	0.00	0.00	0.00	12.00	0.00	0.00	0.00
1990	FIIB	0.00	0.27	0.00	0.00	0.00	0.27	0.00	0.00
1992	FIIB	0.00	0.40	0.00	0.00	0.00	0.40	0.00	0.00
2004	First UDL	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GTFP Metropolita	2.54	0.00	0.00	0.00	2.08	0.00	0.00	0.00
1996	Gul Ahmed	8.10	4.10	0.00	5.22	8.10	4.10	0.00	5.22
2006	Habib Bank Li...	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00
2003	KCT	6.46	0.00	1.50	0.00	6.46	0.00	1.50	0.00
1995	Kohinoor	6.25	6.30	0.00	2.03	6.25	6.30	0.00	2.03
2002	Micro Bank	0.00	2.43	0.00	0.00	0.00	2.43	0.00	0.00
2004	NBFI Credit	6.50	0.00	0.00	0.00	6.50	0.00	0.00	0.00
	Orix Finance	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	Orix Leasing	17.00	0.00	0.00	0.00	17.00	0.00	0.00	0.00
2005	PICT	6.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
2006	PICT	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1983	PPL	0.00	1.33	0.00	0.00	0.00	1.33	0.00	0.00
2002	PPL	0.00	5.63	0.00	0.00	0.00	5.63	0.00	0.00
1965	Packages	0.00	0.05	0.00	0.00	0.00	0.05	0.00	0.00
1987	Packages	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
1991	Packages	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
1994	Packages	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00
1995	Packages	0.00	0.26	0.00	0.00	0.00	0.26	0.00	0.00
2005	Packages	25.00	5.43	0.00	0.00	0.00	1.47	0.00	0.00
2006	Paktel 2005	35.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001	Sarah Textiles	1.12	0.00	0.00	0.00	1.12	0.00	0.00	0.00
2004	TRG Pakistan	0.00	4.16	0.00	0.00	0.00	4.16	0.00	0.00
2007	TRG Pakistan	0.00	2.50	0.00	0.00	0.00	2.50	0.00	0.00

2006	Tameer Bank	0.00	1.01	0.00	0.00	0.00	1.01	0.00	0.00
1996	Uch Power	29.60	0.00	0.00	0.00	19.68	0.00	0.00	0.00
Total portfolio:		239.91	72.98	59.00	14.12	134.53	56.04	7.90	14.12

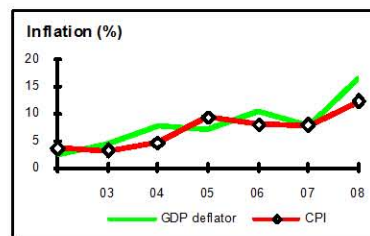
		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic.
2004	CSIBL	0.04	0.00	0.00	0.00
2006	IHFL II	0.01	0.00	0.00	0.00
2004	Dewan SME	0.00	0.00	0.00	0.00
2006	JSPE Fund	0.00	0.02	0.00	0.00
2006	Habib Bank	0.00	0.05	0.00	0.00
2006	Paktel 2005	0.00	0.00	0.00	0.03
2006	Orix SME OLP	0.02	0.00	0.00	0.00
2006	Tameer Bank	0.00	0.00	0.00	0.00
2006	Dewan Petroleum	0.00	0.00	0.00	0.03
Total pending commitment:		0.07	0.07	0.00	0.06

Annex 15: Country at a Glance



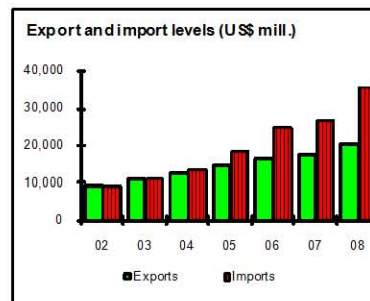
PRICES and GOVERNMENT FINANCE

	1988	1998	2007	2008
Domestic prices				
<i>(% change)</i>				
Consumer prices	-	7.8	7.8	12.0
Implicit GDP deflator	9.6	7.5	7.7	16.3
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	17.3	15.8	15.0	14.6
Current budget balance	-2.5	-3.8	-0.9	-3.5
Overall surplus/deficit	-8.5	-7.7	-4.4	-7.6



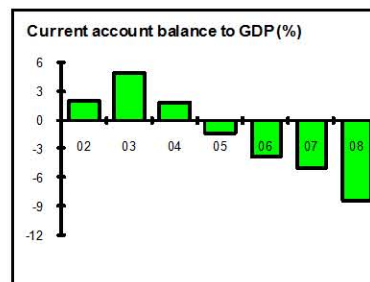
TRADE

	1988	1998	2007	2008
<i>(US\$ millions)</i>				
Total exports (fob)	4,362	8,433	17,278	20,427
Cotton	610	126	134	87
Rice	363	562	1,035	1,585
Manufactures	3,362	4,866	10,011	10,354
Total imports (cif)	6,919	10,301	26,989	35,472
Food	-	1,685	2,420	3,526
Fuel and energy	977	1,750	7,346	10,496
Capital goods	-	-	4,476	11,695
Export price index (2000=100)	-	105	135	139
Import price index (2000=100)	-	100	121	93
Terms of trade (2000=100)	-	106	12	150



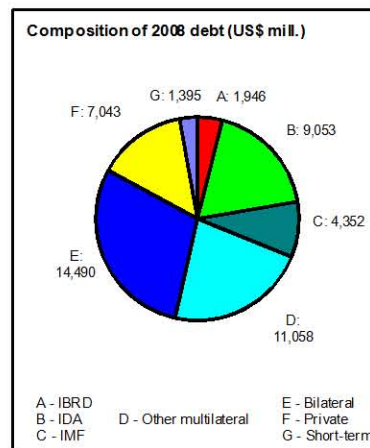
BALANCE of PAYMENTS

	1988	1998	2007	2008
<i>(US\$ millions)</i>				
Exports of goods and services	5,227	10,018	21,418	24,004
Imports of goods and services	8,337	12,819	35,299	45,306
Resource balance	-3,110	-2,801	-13,881	-21,302
Net income	-828	-2,330	-3,582	-3,909
Net current transfers	2,776	3,430	10,585	11,476
Current account balance	-1,162	-1,701	-6,878	-13,735
Financing items (net)	1,162	1,420	10,608	7,947
Changes in net reserves	0	281	-3,730	5,788
Memo:				
Reserves including gold (US\$ millions)	1,326	1,552	5,022	9,385
Conversion rate (DEC, local/US\$)	17.6	43.1	60.6	62.5



EXTERNAL DEBT and RESOURCE FLOWS

	1988	1998	2007	2008
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	17,065	32,261	40,737	49,337
IBRD	1,108	3,136	2,086	1,946
IDA	1,842	3,800	9,075	9,053
Total debt service	1,856	2,298	2,600	2,940
IBRD	151	379	398	386
IDA	31	73	197	226
Composition of net resource flows				
Official grants	424	175	1,006	987
Official creditors	950	849	1,339	1,328
Private creditors	-154	369	481	652
Foreign direct investment (net inflows)	186	506	5,590	5,438
Portfolio equity (net inflows)	6	-22	1,276	-270
World Bank program				
Commitments	570	250	1,210	336
Disbursements	456	348	1,176	241
Principal repayments	80	244	418	446
Net flows	376	105	758	-205
Interest payments	102	209	177	166
Net transfers	274	-104	581	-371

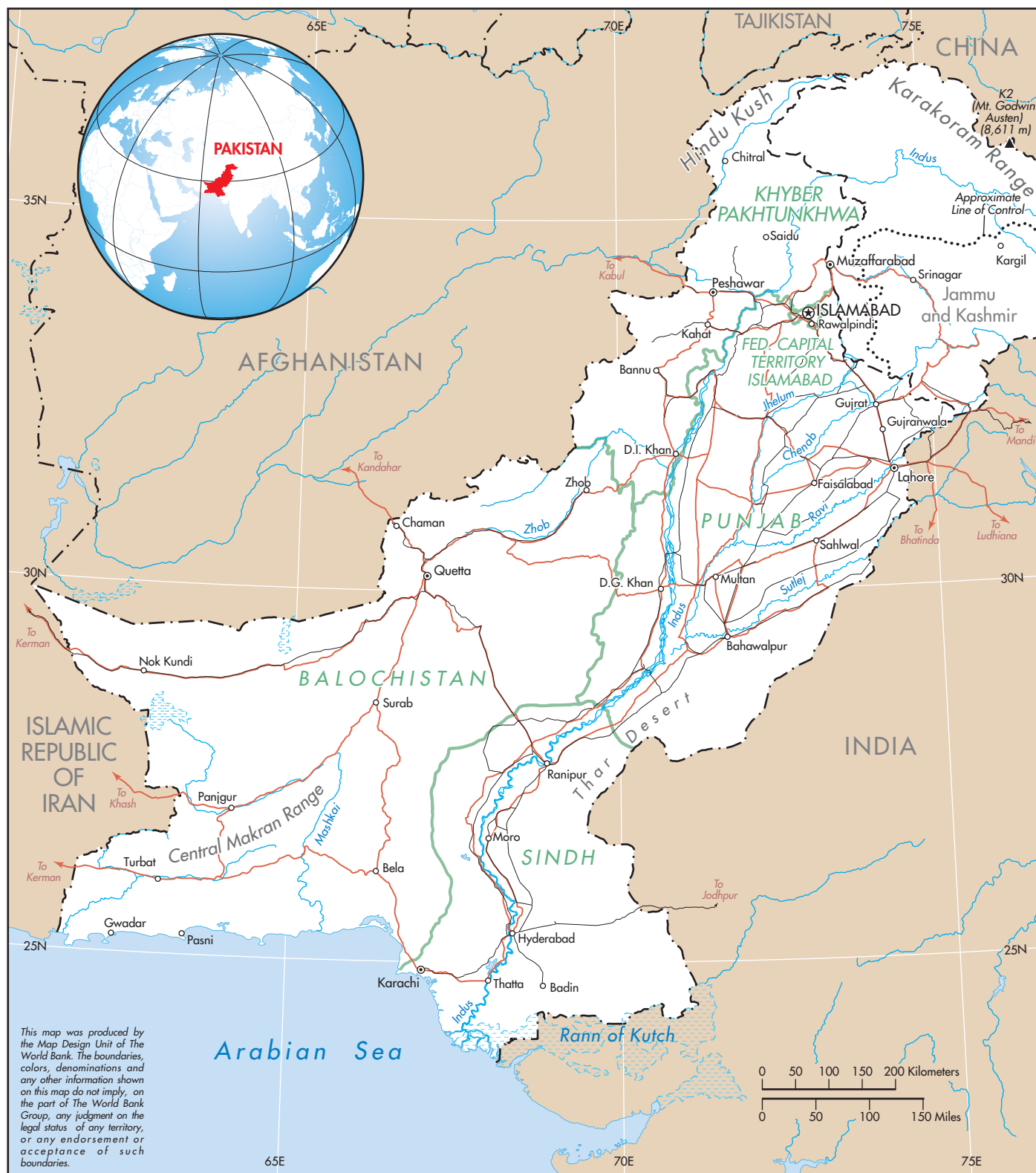


Note: This table was produced from the Development Economics LDB database.

12/9/09

PAKISTAN

- SELECTED CITIES AND TOWNS
- ⦿ PROVINCE CAPITALS
- ⊗ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- PROVINCE BOUNDARIES
- INTERNATIONAL BOUNDARIES



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