



PK Sindh Public Sector Management Reform Project (P145617)

SOUTH ASIA | Pakistan | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2015 | Seq No: 4 | ARCHIVED on 28-Dec-2016 | ISR24825 |

Implementing Agencies: Sindh Revenue Board, Economic Reform Unit, Finance Department

Key Dates

Key Project Dates

Bank Approval Date:28-Jan-2015

Effectiveness Date:28-Apr-2015

Planned Mid Term Review Date:16-Oct-2018

Actual Mid-Term Review Date:--

Original Closing Date:31-Aug-2020

Revised Closing Date:31-Aug-2020

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The development objective of the Project is to strengthen public sector performance in the Province of Sindh through improved revenue generation and expenditure management.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

Component 1: Results-based financing to provide an incentive for achieving eligible PSM reforms.:(Cost \$40.00 M)

Component 2: Technical Assistance (TA) to support capacity building and institutional strengthening associated with achievement of eligible PSM reforms.:(Cost \$10.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Moderately Unsatisfactory
Overall Implementation Progress (IP)	● Moderately Satisfactory	● Moderately Unsatisfactory
Overall Risk Rating	● Substantial	● Moderate

Implementation Status and Key Decisions



Overall progress towards the Project Development Objective (PDO) and implementation progress are rated as 'Moderately Unsatisfactory'. Only one out of seven Disbursement Linked Indicators (DLIs), on transparency of budget formulation and execution, was met in FY2015/16 (ending June 30, 2016) and two of three PDO indicators (increase in revenues from the Sales Tax on Services and improvement in budget credibility) are on track. No progress has been made towards the PDO indicator on reducing the average timeframe for the completion of procurement processes. DLI and non-DLI-related activities in Public Financial Management (PFM), the Sindh Revenue Board (SRB), and development portfolio monitoring have progressed in the past six months. Some steps have been taken in procurement reforms (development of procurement Management Information System), but no progress has been made towards the training and certification of procurement officers (DLI). In view of recent progress, it is expected that most of the DLI targets for the second year of the project (FY2015/16) will be met with a year's delay by the end of FY2016/17 but only one or two of the third-year targets are likely to be achieved (on internal audit and on transparency of budget formulation and execution).

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● High	● Moderate
Macroeconomic	--	● High	● Substantial
Sector Strategies and Policies	--	● Substantial	● Moderate
Technical Design of Project or Program	--	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	--	● Moderate	● Moderate
Fiduciary	--	● Moderate	● Moderate
Environment and Social	--	● Low	● Low
Stakeholders	--	● Substantial	● Moderate
Other	--	--	--
Overall	--	● Substantial	● Moderate

Results

Project Development Objective Indicators

► Improved collection of Sales Tax on Services (STS) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	39.40	18.00	46.30	3.50
Date	30-Jun-2014	30-Jun-2015	30-Jun-2016	30-Jun-2019

Comments

Annual reporting measures cumulative percentage increase from the baseline in real terms. Actual STS revenues were Rs. 49.4 billion in FY2014/15 (a 25% increase from the baseline in nominal terms) and Rs. 61.6 billion in FY2015/16 -- a 56% increase from the baseline in nominal terms.



The annual GDP deflator was 3.6% for FY2014/15, which results in a real term increase of 20.8% from the baseline FY2013/14; and 2.0% for FY2015/16, which results in a y-o-y real increase of 21.4% and a cumulative increase from the baseline in real terms of 46.3% in FY2015/16. Therefore, the final target for this indicator (47% real increase from the baseline at the end of the project) is very close to being met.

► Improved credibility of the budget (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	13.48	13.48	9.40	10.00
Date	30-Jun-2012	20-Apr-2015	30-Jun-2016	30-Jun-2019

Comments

The composition variance of 9.4% (three year aggregate for the period from FY13/14 to FY15/16) is based on composition variance of 8.8% for FY14/15 and 8.7% in FY15/16 (against a target of 13%). The latter value does not include a one-off budget adjustment involving the entry into the budget of past outlays effected during the period FY02/03 until FY15/16. These outlays consisted of re-investment of revenue from investments by the Government of Sindh.

The baseline recorded in the PAD is incorrect, as it was calculated using PI 1 (variation of aggregate actual and budgeted expenditure during past three years) with baseline of 13.48% for FY 2011/12 instead of PI 2 (variance between actual and budgeted expenditure composition during the last three years), as suggested by the definition of the PDO indicator. The correct baseline should have been 39%. The task team does not however see the need for a restructuring to modify the target of the PDO indicator in view of the following considerations:

- Composition variance below 10% over a period of three years is consistent with a level of budget credibility corresponding to a 'B' score in PEFA indicator PI 2, which would be an improvement from the C score for this indicator in the 2013 PEFA assessment report for the province.
- The targets are not unrealistic in the context of public financial management in Sindh province. Indeed, since the project started, the Government of Sindh has met the indicator targets for FY14/15 and FY15/16.

► Reduced time taken to process procurement contracts (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	82.00	82.00	82.00	15.00
Date	01-Sep-2014	14-Oct-2015	30-Nov-2016	30-Jun-2019

Comments

This indicator has not been measured since the FY2013/14 baseline, as the SPPRA does not yet have a system of tracking procurement processes undertaken by various contracting authorities in the province. The Bank team has therefore recommended that the SPPRA hire a consultant to review a representative sample of procurement processes to update the value of this indicator, using the same methodology as the study that was conducted to establish the baseline.



Overall Comments

Due to the delay in the implementation of the Sindh Public Procurement Regulatory Authority (SPPRA) Management Information System (MIS), the value of this indicator cannot be updated at present without commissioning an audit of a representative sample of procurement processes undertaken by various contracting authorities of Sindh province. It is however unlikely that this indicator has improved from the baseline given that there has been no change in procurement procedures, process automation, or training of procurement officers in contracting authorities.

Intermediate Results Indicators

► Approval and initial implementation of Sindh Tax Revenue Mobilization Reform Plan (DLI) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Tax Reform Plan approved in Feb 2014; 2012-13 STS collection is PKR 34 billion.	Sindh Tax Revenue Mobilization Plan has been disclosed. FY 13-14 STS recovery was 42 billion.	Sindh Tax Revenue Mobilization Plan has been disclosed. FY 13-14 STS recovery was 42 billion.	(i) FD has publicly disclosed the Sindh Tax Revenue Mobilization Reform Plan. (ii) SRB's collection of STS for FY2013/14 reached PKR 42 billion.
Date	30-Jun-2014	30-Jun-2015	30-Jun-2015	30-Jun-2015
Comments This DLI was achieved in the first year of the project and was applicable only to that year (FY2013/14).				
► Enhanced SRB human resources capacity for administration (DLI) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Staffing and training plan is under development	Staffing and training plan has been prepared and approved.	Staffing and training plan has been prepared and approved, but needs to be updated to reflect revised staffing needs. Training plans for incoming staff and SRB management have been prepared, but not yet implemented.	SRB has approved a revised staffing plan as per the recommendation of the third party review.
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019
Comments The second-year target for this DLI has not been met, but is likely to be met at the end of FY2016/17.				



► Increased automation of SRB systems (DLI) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Zero automated notices; Unique taxpayer identification system does not exist; No third party linkages.	A detailed automation plan has been drafted. It will be approved and implemented after due appraisal by the Bank.	A detailed automation plan has been prepared and the SRB has implemented several key actions under the plan. The second-year DLI target is likely to be achieved by the end of FY2016/17.	SRB has issued all notices to at least 90% of non-compliant registered taxpayers in FY2018/19.
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Comments

The DLI target for the second year was not met in FY2015/16 but it is expected to be met by the end of FY2016/17.

The World Bank will review the automation plan as part of an overall ICT assessment of the SRB that will be conducted in early 2017. Key milestones that have already been achieved under the automation plan include the following:

- Linkage of the SRB database with those of the Federal Board of Revenue and the National Database and Registration Authority
- E-filing and online payment through internet or mobile banking and ATMs of all major commercial banks -- based on automated invoices displayed online
- Issuance of e-notices to short-filers and non-filers started in September 2016 and is due to be completed in March 2017.

► Increased tax base (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	4,800.00	267.00	295.00	25.00
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Comments

The number of registered STS taxpayers reached 12,574 in FY2014/15 and 18,977 in FY2015/16. This amounts to a cumulative increase of 295% from the baseline established in FY2013/14. This means that by the end of the second year of implementation, the end target for the project was already exceeded by more than ten times.

However, only 62% of registered taxpayers filed their tax returns in FY2014/15, a share that dropped to 58% in FY2015/16, even though the number of STS filers actually increased by 41% -- from 7,853 in FY2014/15 to 11,085 in FY2015/16.



► Risk based audits of taxpayers implemented (DLI) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	System Absent	Risk-based audit plan has been prepared. After due approval by the Board, its implementation will commence.	The SRB has appointed a Board Member for Audit and hired five auditors, including some secondees from the Federal Board of Revenue. However, audits to date are not yet conducted according to a risk-based methodology.	SRB has: (i) carried out a strategic review to enhanced criteria objectivity; and (ii) approved a compliance risk management strategy, in order to increase the audits' hit rate
Date	30-Jun-2014	02-Oct-2015	30-Nov-2016	30-Jun-2019

Comments

The DLI target for the second year was not met in FY2015/16 but is likely to be achieved by the end of FY2016/17. The World Bank will be sharing with the SRB the methodology for risk-based audit that has been developed under the tax component of the TAGR (Trust Fund for Accelerating Growth and Reforms) program. SRB auditors will also participate in training workshops to be organized under the TAGR program in 2017.

► Improved SRB performance transparency (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Annual report irregular, quarterly reports not published	Same as baseline.	SRB is finalizing the combined Annual Reports for FY2014/15 and FY2015/16. The Annual Report for FY2014/15 had been prepared already in FY2015/16 but could not be published because it was not approved by the Chief Minister at the	Four quarterly and one annual report published



			time.	
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

► Debt management systems instituted (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Debt Management Systems do not exist.	Finance Department has completed reconciliation of Sindh debt portfolio in January 2016 with collaboration of Economic Affairs Division. Working on publication in the Budget Analysis for FY 2015-16 is under way. The sensitive analysis of debt servicing with respect of exchange rate and interest rate is being prepared.	The Debt Management Unit of the Finance Department prepared the debt sensitivity analysis according to the World Bank guidelines in June 2016. The draft External Debt Management Manual has been prepared and is currently awaiting approval by the Finance Secretary.	a) Complete loan by loan debt stock (opening and closing) and flow details included in budget documents for FY 2017/18. b) Publication of annual debt statistics bulletin in-line with international best practices having a lag of not more than three months.
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

► Increased extra-budgetary releases captured in FMIS (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	--	90.00
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Comments

This indicator has not been properly measured since the start of the project primarily due to the unclear definition of the indicator. The indicator's definition does not specify how the denominator of the total extra-budgetary releases is to be established, nor does it specify whether the percentage applies to number of such releases or amount of funds involved in such releases. As a result, the Finance Department (FD) has been unable to report on this indicator. The team therefore proposes to provide technical assistance to the FD to measure this indicator with reference to the findings of the 2013 Public Expenditure and Financial Accountability (PEFA) assessment. The project indicator was established based on the low score for PEFA sub-indicator indicator PI-7 (ii): 'income/expenditure information on



donor-funded projects that is included in fiscal reports' due to the flow of project funds through designated (assignment) accounts outside the FMIS. Total volumes of external funds disbursed could be obtained from the federal Economic Affairs Department, which obtains regular disbursement reports from all major donors. [According to the PEFA report, the volume of unreported extra-budgetary expenditures other than donor-financed projects (sub-indicator PI-7 (i) represented less than 1% of total expenditure, so did not constitute a problem This continues to be the case.]

► Establishment of internal audit (DLI) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Internal audit function does not exist.	Internal Audit charter has been further revised and strengthened. Risk-based audit scheme being prepared with audits to be conducted.	Internal Audit charter has been approved and Internal Audit Commission has been established. Recruitment for the Internal Audit Department is underway. An internal audit of the Finance Department has been completed.	(i) At least seven (7) Government Departments (in addition to the FD) have: (A) conducted internal audits; and (B) submitted their internal audits reports to their PAOs. (ii) At least five (5) PAOs have undertaken actions in response to the foregoing internal audit reports, within a month of receipt of such reports.
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Comments

The DLI target for the second year was not met in FY2015/16 but is likely to be met by the end of FY16/17. The Finance Department expects that internal audits will be conducted in two additional departments (Department of Education, Department of Energy) by the end of FY2016/17.



► Transparency in budget formulation, allocation and execution (DLI) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	a) Budget Strategy Paper not prepared b) One quarterly report submitted to the provincial assembly	Budget Strategy Paper for FY 2016-17 has been prepared and summary for CM has been sent for placing the same in Cabinet. Two Quarterly Budget Execution Reports (QBER) for FY 2015/16 have been prepared, approved and published on FD's website. Third QBER is being issued and shared with the provincial assembly. The fourth report shall be shared in the month of June as it can only be prepared after budget has been passed and finalized.	Budget Strategy Paper for FY 2016-17 has been prepared and summary for CM has been sent for placing the same in Cabinet. Four Quarterly Budget Execution Reports (QBER) for FY 2015/16 have been prepared, submitted to the Provincial Assembly, and published on FD's website. The QBER for the first quarter of FY2016/17 has also been prepared and published.	FD has: (i) submitted to the Cabinet the Budget Strategy Paper for FY2019/20; and (ii) submitted all four (4) budget execution reports for FY 2018/9 to the Provincial Assembly and published them in FD's website.
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Comments

The annual targets for this DLI have been achieved in FY2014/15 and FY2015/16. The third year's target is also on track to be achieved by the end of the current fiscal year.

► Contracts data entered in the procurement MIS (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	75.00
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Comments

The SPPRA has hired a firm, which has developed the MIS. The system is currently being tested and is expected to become operational in early 2017. The firm will also provide training of users.



► Contracts processed through e-procurement modules (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	50.00
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Comments

The SPPRA has not yet hired a consultant to develop the functional specifications for an e-procurement system, nor has it approved an e-procurement strategy. Work on this is expected to start in early 2017.

► Procurement officials certified (DLI) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No certification mechanism exists.	SPPRA has prepared a paper for Board approval. This is still pending.	The SPPRA is finalizing a contract with a qualified firm to design the certification course and reached agreements with six institutes and universities in four cities to deliver the course. Trainings are expected to start in March or April 2017.	SPPRA has certified at least five hundred (500) officers of grade BPS-16 of above.
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Comments

The DLI target for the second year was not met in FY2015/16 but is likely to be met by the end of FY2016/17.

► Quarterly developmental development plan monitoring reports prepared and published (DLI) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Zero	Consulting firm has been hired and work underway to meet FY 14-15 and FY 15-16 targets. The firm shall help Planning and Development Department prepare the quarterly reports on Implementation of development schemes	The IT system has been developed and tested. Training of users and rollout to five departments is expected to be completed by end of March 2017. Reports for all five departments are expected to be completed in FY2016/17.	P&DD has: (i) prepared and published at least twelve (12) quarterly reports on implementation of development schemes during FY2018/19 for at least four (4)



		during FY2015/16 for at least one government department by end June 2016.		Government Departments; and (ii) carried out a third party review.
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019
<p>Comments The DLI target for the second year was not met in FY2015/16 but is likely to be met by the end of FY2016/17, as the system is expected to be launched in January 2017 and the first reports are expected at the end of March 2017.</p>				

► Departments where geo-tagging of development schemes is implemented and information published. (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	1.00	1.00	6.00
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Comments

Geo-tagging has started in the Civil Works Department. It will be expanded to four more departments with the rollout of the ADP monitoring system.

► Departments with proactive feedback mechanisms established (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	3.00	4.00	7.00
Date	30-Jun-2014	20-Apr-2016	30-Nov-2016	30-Jun-2019

Overall Comments

Citizen feedback is currently being collected for the following four services: property registration, motor vehicle registration, payment of pensions; and reimbursement of healthcare expenses.

Data on Financial Performance

Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
---------	----------------	--------	----------	----------	---------	-----------	-----------	-------------	-----------

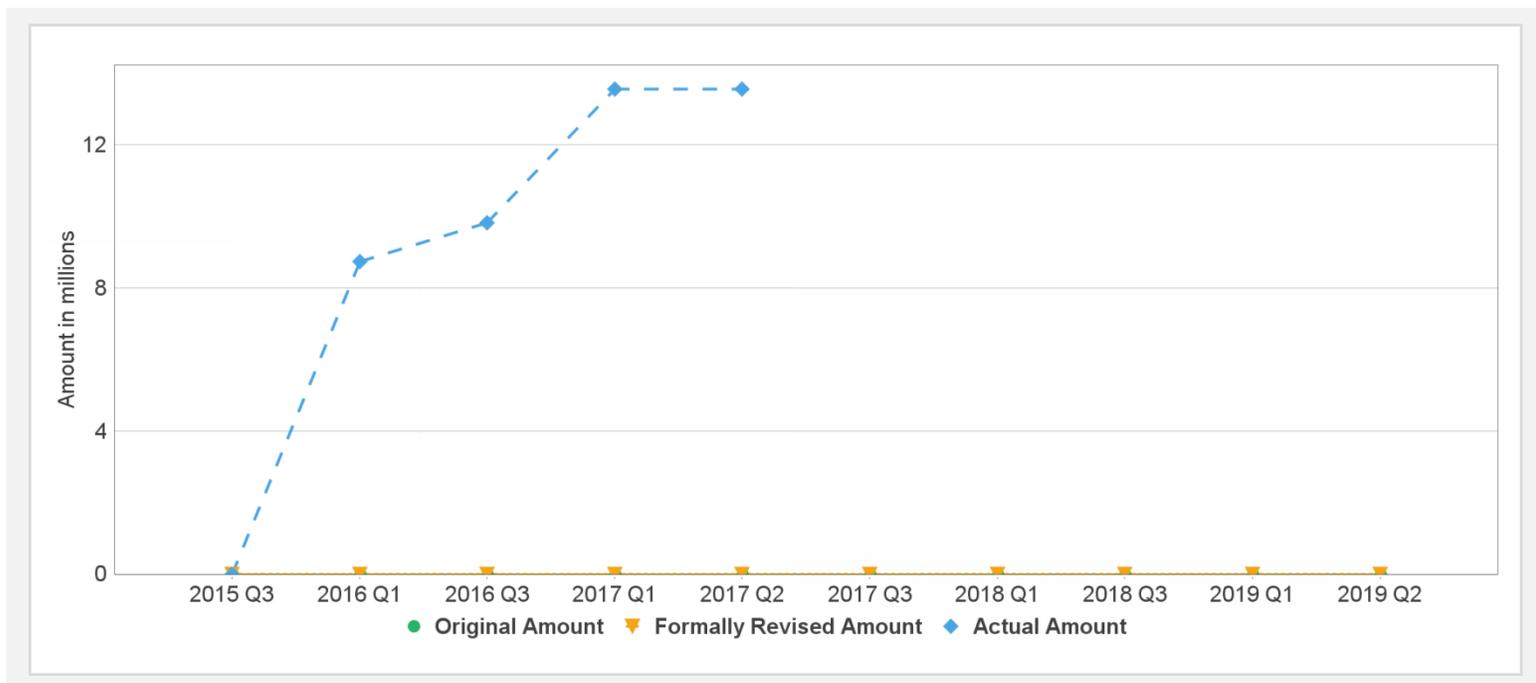


P145617	IDA-55840	Effective	XDR	33.90	33.90	0.00	13.57	20.33	<div style="width: 40%; height: 15px; background-color: #28a745;"></div>	40%
---------	-----------	-----------	-----	-------	-------	------	-------	-------	--	-----

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P145617	IDA-55840	Effective	28-Jan-2015	11-Mar-2015	28-Apr-2015	31-Aug-2020	31-Aug-2020

Cumulative Disbursements



Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.