



PK Sindh Public Sector Management Reform Project (P145617)

SOUTH ASIA | Pakistan | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2015 | Seq No: 2 | ARCHIVED on 13-Nov-2015 | ISR21231 |

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	● Satisfactory	● Moderately Satisfactory
Overall Implementation Progress (IP)	● Satisfactory	● Moderately Satisfactory
Overall Risk Rating	● Substantial	● Substantial

Implementation Status and Key Decisions



The project implementation has started in line with the agreed objectives, especially since the project became effective only on April 28, 2015. Overall implementation is, Moderately Satisfactory. Disbursement Linked Indicators (DLIs) and non-DLI activities related to Public Financial Management (PFM) reform and development portfolio monitoring are moving forward. Improved credibility of the budgeting, as measured by variance between approved and actual expenditures, could not be calculated because of the unavailability of the annual financial statement for Fiscal Year 2014-15. Progress on the Sales Tax on Services (STS) collection has been strong with 18% real increase (PKR 49.3 billion; Fiscal Year 14-15) from Fiscal Year 13-14 (PKR 39.4 billion). However, it will be critical to sustain this progress over the long run with the strengthening of the underlying capacity (human resources and systems). Project activities related to the Sindh Public Procurement Regulatory Authority (SPPRA) related activities have barely progressed.



Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● High	● High
Macroeconomic	--	● High	● High
Sector Strategies and Policies	--	● Substantial	● Substantial
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	● Substantial
Other	--	--	--
Overall	--	● Substantial	● Substantial

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	3.50	18.00	3.50
Date	30-Jun-2014	20-Apr-2015	30-Jun-2015	30-Jun-2019



Comments

This indicator measures real increase over the previous year. The inflation rate for FY14-15 was 4.5 percent.

► Improved credibility of the budget (Percentage, Custom)

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

Comments

Improved credibility of the budgeting, as measured by variance between approved and actual expenditures **over the last three years, excluding contingencies**, could not be calculated because of unavailability of the annual financial statement for FY2014-15.

► 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	20-Apr-2015	02-Oct-2015	30-Jun-2019

Comments

No progress has happened. Time taken to process procurement contracts proxies procurement performance as measured by days taken from the first advertised tender to signing. Targets measure improvements against baseline; for targeted contracts of education, agriculture, health and irrigation departments with dataset as sampled in the "Review of Procurement Practices and Timelines in Specified Departments of GOS," dated Oct 2014, and as detailed in the operations manual.

Overall Comments

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.	(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

Comments

This indicator was only relevant for FY 14-15 and has been complied with.

► 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.	SRB has approved a revised staffing plan as per the recommendation of the third party review.
Date	30-Jun-2014	--	02-Oct-2015	30-Jun-2019

Comments

The progress on this indicator for FY 14-15 has been reviewed and considered to be satisfactory, subject to legal review.



► 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.	--	Project Activities have started. E-payment has been initiated.	SRB has issued all notices to at least 90% of non-compliant registered taxpayers in FY2018/19.
Date	30-Jun-2014	--	02-Oct-2015	30-Jun-2019

Comments

Other automation activities, as outlined in the verification protocol, are yet to be completed. The verification protocol is as follows:

1. Automation means automated notice system, e-payment system, e-tax payer grievance redressal mechanism, unique tax payer identification number (STPIN) system, and e-tax payer facilitation and education.
2. Automated notice system means the detection of a possible non-compliance condition in the tax payer's return through an automated system and the production of a notice by the system. SRB will have various automated system(s) in place to report conditions such as non-filing, short payment, inadmissible (unverifiable or suspicious) input claim. Based on this detection the system will produce an automated notice which may be either dispatched electronically or with an officer's approval.
3. Tax identification number means a unique tax payer identification number.
4. E-grievance redressal system means electronic mechanism to report citizen grievances through a call centre or email. A third party service centre should be operational with a mechanism to receive phone calls and emails, log complaints and report follow-up action to; (i) tax payer / citizen; and (ii) management with escalation protocol for no action.
5. E-payment system means payment of taxes to a GoS tax collecting agency from a secure web-based facility without the need to physically go to a bank, or government office.
6. Linkages to government and other registration systems databases mean coordinated analysis between SRB and other third party databases. Third party refers to entities whose databases are of interest to the tax authority for the purpose of tax assessment, consistent with the law and government policy. Possible third parties include the Federal Board of Revenue (FBR), the National Database and Registration Authority (NADRA), banks, other provincial tax collecting agencies, the Securities and Exchange Commission of Pakistan (SECP), gas and electricity utilities, telecom companies, professional bodies, schools, housing authorities etc.
7. E-tax payer facilitation and education means the use of ICT (internet, phone calls, emails, sms etc.) to facilitate actual and potential taxpayers easy access to user friendly, and up-to-date information on the laws, regulations and procedures, making potential taxpayers aware of their liabilities, deadlines, arrears etc., making available on SRB and government websites guidelines/pamphlets and other taxpayer education measures.
8. Piloting means that a minimum 25% of the relevant business is transacted through the automated system but does not include e-tax payer facilitation and education measures.
9. Implemented means that a minimum 90% of the relevant business is transacted through the automated system.
10. Third party review of years 2 and 4 will audit the quality and effectiveness of the automation systems for improved tax administration and suggest recommendation.
11. Third party review of year 3 will review the effectiveness and use of linkages of the third party databases with SRB systems.

Source: SRB documentation and TPV reports.



► Increased tax base (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	4800.00	4800.00	190.00	25.00
Date	30-Jun-2014	20-Apr-2015	02-Oct-2015	30-Jun-2019

Comments

This indicator measures the percentage increase in the registration of the number of taxpayers to assess the increasing width of the tax base. The final year target has been achieved.

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

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	System Absent	--	Risk-based audit plan is being prepared.	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-Jun-2019

► Improved SRB performance transparency (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Annual report irregular, quarterly reports not published	--	Same as baseline.	Four quarterly and one annual report published
Date	30-Jun-2014	20-Apr-2015	02-Oct-2015	30-Jun-2019

Comments

There has been little movement on performance transparency indicator that requires publication of an annual report with progress on various indicators.



► Debt management systems instituted (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Debt Management Systems do not exist.	--	Finance Department (FD) has recruited a Director for the Debt Management Unit (DMU): Steps are being taken to finalize the external debt management procedure and operation manual for GoS and have it notified	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-2015	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	--	02-Oct-2015	30-Jun-2019

Comments

The extra-budgetary expenditure refers to certain transactions that do not pass through the budgetary mechanism and thus are not subject to same level of legislative oversight, monitoring, and accountability. The term also refers to certain funds that are earmarked for specific purpose and are spent through special arrangements other than a normal financial accounting system. These funds are not essentially outside the budget but are accounted for in the budget in aggregate terms. To ensure that extra-budgetary funds follow the same level of scrutiny as other categories of expenditure, FD is required to first record the transaction in SAP prior to payment but so far transactions are recorded after payment. Also, there are indications that Assignment Accounts are incorrectly used with transfers made to other accounts instead of direct payment for the purpose intended. FD is in the process of establishing the baseline and will take the necessary steps to meet the 65 percent target for FY 2014-15.



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

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Internal audit function does not exist.	--	An Internal Audit Charter has been prepared and adequate budgetary provision made for the key staff and both found satisfactory to the Association.	(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	--	02-Oct-2015	30-Jun-2019

Comments

FY 14-15 DLI has been met. Progress towards this years achievement has been satisfactory.

► 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	--	Transparency and legislative oversight through the budget cycle has improved. FD has (i) submitted to the Cabinet the Budget Strategy Paper for FY2015/16; and (ii) submitted at least two (2) quarterly budget execution reports for FY2014/15 to the Provincial Assembly, and published them on the FD website .	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-2015	02-Oct-2015	30-Jun-2019
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► 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-2015	02-Oct-2015	30-Jun-2019

Comments

This indicator measures increased use of the procurement MIS for targeted contracts of the irrigation, health, agriculture, education, local government and works departments. Contracting for the MIS, with the help of the Second Sindh Education Reform Program, is being done. But there's been no progress on the actual indicator.

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

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	50.00
Date	30-Jun-2014	--	02-Oct-2015	30-Jun-2019

Comments

This indicator measures the percentage of high value contracts processed through e-procurement systems for targeted contracts of the irrigation, health, agriculture, education, local government and works departments to assess the implementation of the new e-procurement system. Some background work has been done. But there's been no progress on the actual indicator.



► 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.	SPPRA has certified at least five hundred (500) officers of grade BPS-16 of above.
Date	30-Jun-2014	--	02-Oct-2015	30-Jun-2019

Comments

There's been no concrete progress on this DLI.

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

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Zero	--	The ERU shared a detailed policy note on the strategic monitoring of the portfolio which included the three related monitoring components with the Project Steering Committee in a meeting held on July 28th, 2015. The Committee approved the policy note for Strategic Monitoring of the Development Portfolio and the design of the dashboard.	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) Government Departments; and (ii) carried out a third party review.
Date	30-Jun-2014	--	02-Oct-2015	30-Jun-2019

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

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	6.00
Date	30-Jun-2014	20-Apr-2015	02-Oct-2015	30-Jun-2019

Comments

Pilots are underway with Energy and Communication & Works departments but




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

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	7.00
Date	30-Jun-2014	--	20-Apr-2015	30-Jun-2019

Overall Comments

Data on Financial Performance

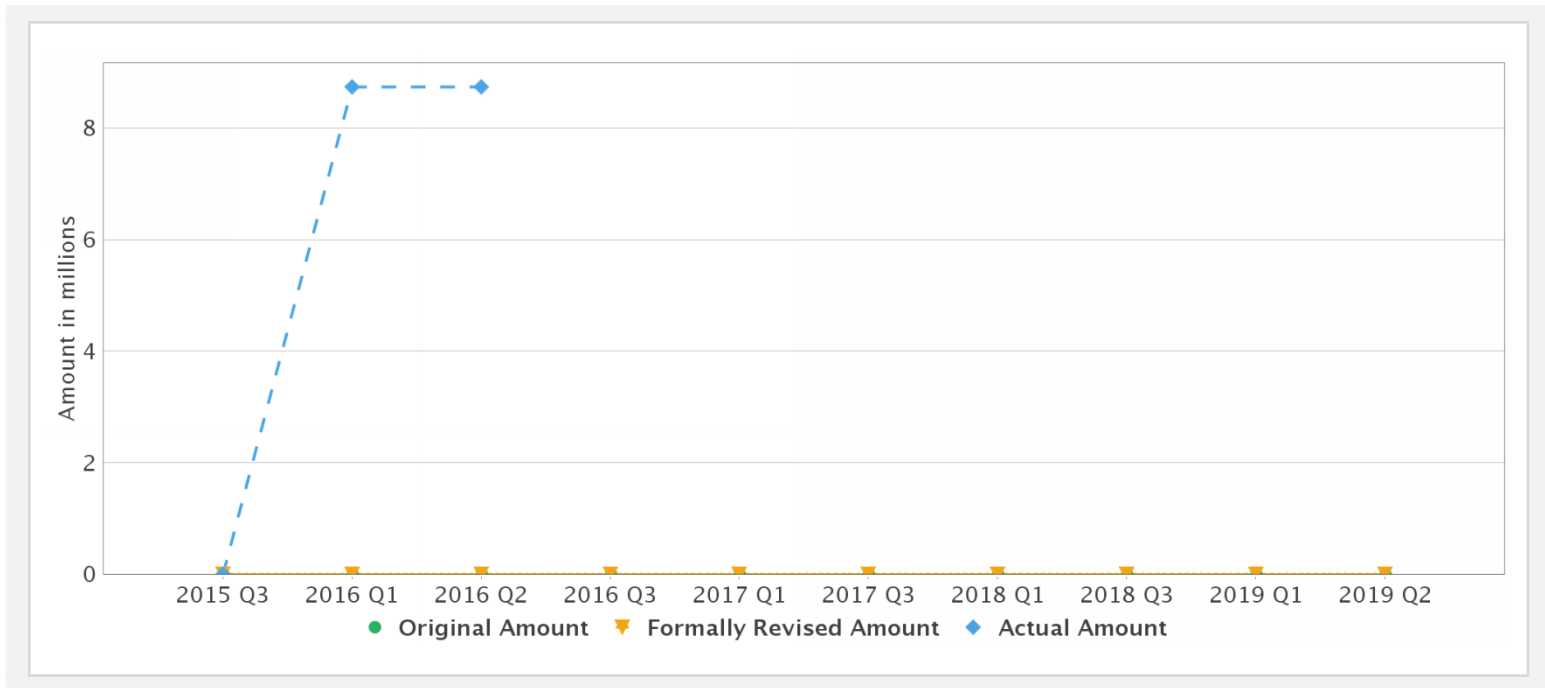
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P145617	IDA-55840	Effective	XDR	33.90	33.90	0.00	8.74	25.16	 26%

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.