

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA7180

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I. BASIC INFORMATION

1. Basic Project Data

Country:	Pakistan	Project ID:	P145617
Project Name:	PK Sindh Public Sector Management Reform Project (P145617)		
Task Team Leader:	Zubair Khurshid Bhatti		
Estimated Appraisal Date:	09-Jul-2014	Estimated Board Date:	05-Dec-2014
Managing Unit:	GGODR	Lending Instrument:	Investment Project Financing
Sector(s):	Sub-national government administration (50%), General public administration sector (50%)		
Theme(s):	Public expenditure, financial management and procurement (45%), Tax policy and administration (45%), Other accountability/anti-corruption (10%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	279.00	Total Bank Financing:	50.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			217.00
International Development Association (IDA)			50.00
EC European Commission			12.00
Total			279.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

2. Project Development Objective(s)

The development objective of the project is to strengthen accountability and performance of public finance in Sindh Province.

3. Project Description

Lending Instrument

The proposed operation will be financed by an Investment Project Financing (IPF) loan of US\$50 million to the Government of Sindh Province in Pakistan and will use a results-based financing modality to support project implementation. Previous experience of use of this instrument has been successful for difficult reforms in the Sindh Education sector. Lessons learned from the Sindh Education Sector Project (P107300), as well as similar results-based SIL projects designed in Punjab province and with the federal government and the Latin American region, will be incorporated into the project design. It will include a large results-based component (US\$ 40 million) which will be linked to achievement of agreed-upon performance indicators (Disbursement-linked indicators, or “DLIs”) and a smaller technical assistance component (US\$ 10 million). The time horizon for this operation is five years. The advantage of this approach is not only that it will ensure sustained funding to priority programs and enable the achievement of identified policy objectives, but also that it will contribute to developing a performance-based approach to public sector management in the province. The TA component will complement the Eligible Expenditures Program (EEP) and Disbursement Linked Indicators (DLI) part of the operation by providing the necessary capacity and technology to achieve the identified development objectives. This approach also helps to address the ownership, coordination, and authorizing environment issues by better aligning the incentives of the different actors. Achievement of DLIs will help address the capacity challenges identified earlier.

The proposed IPF project design combines three critical and interrelated elements: (i) specific Eligible Expenditure Programs (EEPs) against which loan proceeds will be disbursed; (ii) Disbursement-linked indicators (DLIs) that establish a performance-based framework to measure progress in sector reform implementation and to identify the operation’s contribution to the identified development objectives; and (iii) technical assistance (TA) to support capacity building and knowledge dissemination in the targeted areas. Credit proceeds will be disbursed to the Government of Sindh against the execution of specific EEPs and the fulfillment of DLIs.

Project Components

Component 1: Results-based financing to provide an incentive for achieving eligible PSM reforms (US\$40 million). Under the results based component, credit disbursements will reimburse expenditures incurred by Sindh government in selected key budget line items referred to as EEPs. The event and amount of project disbursements will be contingent on satisfactory achievement of disbursement linked indicators. The EEPs include pay and allowances for departments of finance, agriculture, irrigation, planning and development. The results-based component will include the following four focus areas: These interventions will mainly focus on planning and development, irrigation, education and agriculture departments in addition to the FD, Sindh Revenue Board, and Sindh Procurement Regulatory Authority.

Increasing Tax Revenue Mobilization

The objective of this subcomponent is to increase collection of sales tax on services. It will support the following three sets of interventions: firstly, institutional development of SRB, including improved availability of resources to carry out reform activities, enhanced staffing, improved pre-service and in-service training; increased automation for increased tax payers compliance and facilitation; improved auditing practices; and structured coordination and communication among the

three tax collecting agencies; secondly, tax payer including communication, facilitation and automation programs to build an affirmative tax culture; and promotion of evidence-led tax policy and administration analysis; thirdly, improved management with improving monitoring and evaluation and increased transparency.

Enhancing Performance of PFM Systems

This sub-component aims to strengthen PFM systems by improving budget formulation and execution processes and related oversight mechanisms. Interventions include: strengthening tools for monitoring compliance and analysis; enhancing the predictability of availability of development funds; improving debt management practices; and increased transparency in budget formulation and execution.

Strengthening of Public Procurement Performance

This subcomponent aims to strengthen public procurement performance, transparency and accountability to improve the timely delivery of government programs and efficient budget management. The proposed interventions include: improving capacity of procurement professionals with certification; improving performance monitoring and transparency with a MIS; and improving competition, efficiency and transparency with an e-Government Procurement (“EGP”) system.

Improving Management of the Development Portfolio

This subcomponent aims to improve monitoring of the development portfolio. This subcomponent will support the strengthening of the Monitoring and Evaluation Cell of the P&D department and will improve information on: the identification of resource and other administrative bottlenecks in the execution of the sectoral development programs to ensure flag raising and early intervention and attention of senior officials of the department; the current state of the financial and physical execution of each scheme to help improve development planning; the spatial understanding of the spread of the development funds; the quality of construction and execution by regular photo monitoring of schemes and also be seeking engagement of the beneficiaries. Interventions include: the development of a full reporting system linking field supervision inputs with an online management dashboard for improved delivery of the development portfolio; geo-tagging of development schemes for improved spatial planning and quality of implementation; and seeking of feedback of identified beneficiaries of selected schemes.

Component 2: Technical Assistance (TA) to support capacity building and institutional strengthening associated with achievement of eligible PSM reforms (US\$10 million). Technical Assistance will be used to support achievement of results in all four eligible PSM reform areas. TA will support capacity building and institutional strengthening activities related to improvement of tax collection, PFM, procurement, and development monitoring. In particular, TA will fund activities to:

- Support to the implementation of reform activities included in the Sindh Tax Reform Plan, including: (a) ICT investments for internal business infrastructure; (b) analytical and programmatic support to establish a new Tax Reform Unit (TRU) in the FD; (c) review critical aspects of Sale Tax on Services (STS) administration; (d) conduct risk based tax audits in selective sectors; (e) establishment of a state-of-the-art training facility in sales tax administration; and (f) initial studies to increase tax morale in the province,.

- Support the implementation of the Sindh Public Financial Management Strategy, including (a) support for enhancing usage of the FMIS; (b) improving cash management mechanisms; (c) trainings on usage of the FMIS reports; (d) support the preparation of the Budget Strategy Paper (BSP) and; (e) support to the preparation of “budget analysis paper.
- Support the implementation of procurement reforms, including (a) developing and implementing the e-procurement and MIS plans; (b) support in implementing training for building procurement skills of procurement officials and; (c) overall support to SPPRA for their own capacity building and strengthening their systems (implementing regulations, contract managements guidelines etc.).
- Support the management of the development portfolio, including (a) ICT based systems, processes and dashboards and related capacity building activities; (b) photo-enforced monitoring; and (c) proactive beneficiary feedback of government development schemes.

Efforts will be made to utilize an inclusive approach to capacity building and institutional strengthening to ensure strong female representation.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Project activities will be located in Sindh province. No rehabilitation and/or construction works will be conducted.

5. Environmental and Social Safeguards Specialists

Miki Terasawa (GSURR)

Fouad Muhammad Khan (GENDR)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	No. There are no civil works, rehabilitation, construction or physical works of any nature.
Natural Habitats OP/BP 4.04	No	No potential loss or degradation of natural habitats
Forests OP/BP 4.36	No	No activities in areas with forest cover
Pest Management OP 4.09	No	No agriculture activity
Physical Cultural Resources OP/ BP 4.11	No	No potential for impacts on physical, cultural resources
Indigenous Peoples OP/BP 4.10	No	No known indigenous peoples living in the province
Involuntary Resettlement OP/BP 4.12	No	No resettlement or loss of livelihood envisaged
Safety of Dams OP/BP 4.37	No	No dam construction
Projects on International Waterways OP/BP 7.50	No	Not applicable

Projects in Disputed Areas OP/BP 7.60	No	Not applicable
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II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
NA
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
NA
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
NA
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
NA
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
NA

B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.
If in-country disclosure of any of the above documents is not expected, please explain why:
Pest management or physical cultural resources policies are not triggered.

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [] No [] NA [×]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [] No [] NA [×]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [] No [] NA [×]
Have costs related to safeguard policy measures been included in the project cost?	Yes [] No [] NA [×]

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]

III. APPROVALS

Task Team Leader:	Name: Zubair Khurshid Bhatti	
<i>Approved By</i>		
Practice Manager/ Manager:	Name: Alexandre Arrobbio (PMGR)	Date: 14-Oct-2014