

# INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC5751

**Date ISDS Prepared/Updated:** 07-Jan-2014

**Date ISDS Approved/Disclosed:** 20-Feb-2014

## I. BASIC INFORMATION

### A. Basic Project Data

<b>Country:</b>	Pakistan	<b>Project ID:</b>	P145617
<b>Project Name:</b>	PK Sindh Public Sector Management Reform Project (P145617)		
<b>Task Team Leader:</b>	Grace Porter Morgan		
<b>Estimated Appraisal Date:</b>	05-May-2014	<b>Estimated Board Date:</b>	15-Sep-2014
<b>Managing Unit:</b>	SASGP	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Sub-national government administration (50%), General public administration sector (50%)		
<b>Theme(s):</b>	Public expenditure, financial management and procurement (45%), Tax policy and administration (45%), Other accountability/anti-corruption (10%)		
<b>Financing (In USD Million)</b>			
<b>Total Project Cost:</b>	50.00	<b>Total Bank Financing:</b>	50.00
<b>Financing Gap:</b>	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			50.00
Total			50.00
<b>Environmental Category:</b>	C - Not Required		
<b>Is this a Repeater project?</b>	No		

### B. Project Objectives

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

### C. Project Description

Project Description

Component 1: Results-based financing to provide an incentive for achieving eligible public sector management (“PSM”) reforms (US\$45 million). The results-based component will include the following 3 focus areas for which DLIs will be developed.

#### Enhancing Performance of PFM Systems

27. The objective of this sub-component will be to strengthen PFM systems by improving budget execution processes and oversight mechanisms. More specifically, it will aim to improve budget execution and accounting processes by supporting the following activities: (i) update and enforcement of the rules and regulations of the in-year budget adjustments and the use of supplementary budgets; (ii) development and implementation of an internal audit framework and establishment of an internal audit function; (iii) operationalization of commitment accounting and reporting; (iv) expansion of the scope of commitment controls and bank reconciliations; and (v) development of the object classification of the development budget to enable monitoring.

28. The project will also strengthen accountability and oversight systems by (i) establishing budgetary information disclosure mechanisms to strengthen citizen input into the budget process; and (ii) improving the capacity of the Sindh Provincial Assembly to clear the backlog of review of audit reports and prevent the build-up of any new backlogs. The Sindh Finance Department will be supported to publicly disclose all the elements of financial information listed in PEFA such as annual budget documentation, in-year budget execution reports, year-end financial statements, external audit reports, contract awards and resources availability at primary service units. The project will support investment in systems and capacity building within the Finance Department to ensure routine release of up-to-date, accessible and user friendly budget information. In this regard, a key output will be production of a ‘citizens’ budget guide’ explaining in easy terms what the budget is, the allocation and rationale of resources in the current budget, and how citizens can participate in the budget process. Finally, the project will support external academic and other relevant institutions to use this data and provide citizens and government officials with effective analysis of budget information. In addition, the project will explore options for strengthening citizen input and feedback related to the budget such as through the use of a citizen’s scorecard.

#### Strengthening of Public Procurement Performance

29. This program is designed to create better data and more transparency and competition in procurement processes through the establishment of an e-Government Procurement (“EGP”) system. Toward this end, this project component involves the necessary analysis and planning to identify required changes for the new technology to be effective, and the implementation of an e-GP Strategy. Specifically, the project will involve a phased-in approach to the following activities: (i) a readiness assessment; (ii) the design, development and commissioning of the e-GP system; (iii) an implementation plan; and (iv) actual launch in 4 target agencies. The approach will be customized and refined for the Sindh context. A brief description of each of the four subcomponents is included in Annex VI. Four targeted agencies will be selected for implementation; and these will be volunteers rather than conscripts, engaged by SPPRA. If possible, strong candidates would be agencies involved in civil works, roads, water supplies, and education. Upon completion, an EGP System will be launched in the targeted agencies.

#### Increasing Revenue Mobilization

30. This area of reform is designed to increase revenues associated with collection of the Services General Sales Tax (SGST) through broadening of the tax base and improving administrative inefficiencies. The Services General Sales Tax has been targeted for reform because it has an up-to-date tax structure (more than any other provincial tax) and it is highly automated. Further, the Sindh Revenue Board (“SRB”) is a new entity, and does not have the challenges of legacy institutions. It has strong support of the provincial government and has proven itself as a high performing tax collection agency, positioning itself to be an important change agent for transforming tax collection in Sindh and, potentially, other provinces. Expansion of the SGST base affects businesses, not individual tax payers, minimizing the political sensitivity of tax reform. Additionally, the SGST involves no valuation issues or large exemptions, limiting reform complexity and political risk.

31. Activities to be financed using a results-based financing approach include:

- Economic, quantitative, legislative, and political analysis to evaluate tax policy options including review of tax gaps, tax expenditure and exemptions, study of administrative efficiency and identification of untapped revenue potential and enhanced coordination across the three tax entities;
- Human and organizational capacity to support a Provincial Advisory Committee on Tax (PACT) to address tax issues impacting other provinces and the federal government;
- Efficiency analysis related to tax administration; and
- Re-engineering related to reducing the stop filing rate.

Component 2: Technical Assistance (TA) to support capacity building and institutional strengthening associated with achievement of eligible PSM reforms (US\$5 million)

32. Technical Assistance will be used to support achievement of results in all three eligible PSM reform areas. TA will support capacity building and institutional strengthening activities related to improvement of PFM, procurement, and tax collection. In particular, TA will fund activities to:

- address administrative inefficiencies which limit tax revenue growth;
- provide analytical (economic, quantitative, legislative, and political) and programmatic support to establish a new Tax Policy Unit in the Finance Department which will develop revenue goals and analysis required to support the decision-making process associated with SGST and other tax policy reforms;
- provide programmatic and analytical support to a newly formed Provincial Advisory Committee on Tax (PACT) to enhance revenue mobilization through increased coordination with other provinces and the federal government, as described in Annex VII;
- strengthen monitoring and coordination mechanisms of PFM reform;
- support change management activities to create broad consensus of key stakeholders and identify incentives for successful implementation of this reform;
- establish a dedicated information and communications unit in the lead implementing agency (Finance Department) for donor, media, and civil society relations and engagement, complaints management, and proactive, regular, and wide communication and consultation on the reform agenda;
- strengthen the capacity of the Sindh Public Procurement Regulatory Authority; and
- support achievement of project outcomes.

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

33. Component 2 will include a Rapid Response Facility which provides flexible disbursement for defined eligible activities with the aim of achieving DLIs associated with Component 1. This

approach which has worked well in KP, FATA, and Balochistan will create an opportunity to address public management constraints so that the Bank can respond quickly to changes in priorities and policies which may occur during the life of the project. The Fund will have transparent selection criteria; and all public entities will be able to submit proposals on a competitive basis. The entities will be required to develop a brief concept note (CN) with the rationale, the proposed activities and the expected results in terms of public sector management.

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

Project activities will be located in Sindh province. Sindh is an urban area with dense population, involving significant environmental and infrastructure footprints. The province is home to a number of protected areas and critical natural habitats. No activity will be conducted inside or in the vicinity of these areas.

#### **E. Borrowers Institutional Capacity for Safeguard Policies**

While the implementing agency has no prior experience of working on safeguards compliance, other agencies of the Sindh government in the agriculture, water resources and education sector have been developing and executing projects with extensive safeguards implications. As a result of capacity building on these projects over the years, a cadre of well qualified professional consultants has developed in the province who understand the safeguard policies as well as local environmental and socioeconomic conditions. This resource can be utilized to ensure compliance with safeguards policies if needed. Nomination of a safeguards focal person at the implementing agency and further capacity building measures will be needed to ensure satisfactory compliance.

#### **F. Environmental and Social Safeguards Specialists on the Team**

Miki Terasawa (SASDS)

Fouad Muhammad Khan (SASDI)

## **II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/ BP 4.01	No	The project does not involve any construction, rehabilitation or physical works of any nature. There aren't expected to be any environmental impacts from project activity.
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	There are no known indigenous groups in Sindh province as identified under this policy. (The only identified indigenous people in Pakistan under the OP/BP 4.10 are in Kalash valley in the northern Pakistan, Chitral district of Khyber Pakhtunkhwa 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

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 01-Mar-2014

**B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

A. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared:

B. For simple projects that will not require a QER, the target date for preparing the PAD-stage ISDS:  
March 1, 2014

C. Time frame for launching and completing the safeguard-related studies that may be needed.

February 15-28, 2014. Since no physical works shall be carried out as part of project activity, no environmental impacts are expected and no safeguards related instruments need to be prepared.

### IV. APPROVALS

Task Team Leader:	Name: Grace Porter Morgan	
<b><i>Approved By:</i></b>		
Regional Safeguards Coordinator:	Name: Francis V. Fragano (RSA)	Date: 18-Feb-2014
Sector Manager:	Name: Alexandre Arrobbio (SM)	Date: 20-Feb-2014

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.