

## ANNUAL PROGRESS REPORT REGARDING PUBLIC FINANCIAL MANAGEMENT REFORM STRATEGY FOR FINANCIAL YEAR 2015-16

Public Financial Management (PFM) Reform is one of the important component of Sindh Public Sector Management Reform Project (SPSMRP) initiated by the Government of Sindh in the April 2015, with the assistance of World Bank with an objective to strengthen Public Sector performance through improved revenue generation & expenditure management. Enhancing performance of PFM is a focused area, aimed at strengthen PFM System. The interventions include: transparency in budget formulation, allocation and execution, improving debt management practices, Predictability & availability of development funds. This sub component is also supported by European Union under Public Financial Management Support Program for Pakistan with assistance of US \$12.00 million. The project development objectives (PDOs) of SPSMRP and outcomes / milestones of PFM are interlinked & support each other on various activities.

2. The PFM reform strategy is an ambitious program with many inter connected components. The strategy is approved by Provincial Cabinet of Sindh in October 2014 and is being implemented by PFM Action Plan (PFM-AP) approved by Provincial Steering Committee of the SPSMRP and PFM-SPP headed by Additional Chief Secretary (Development), Planning & Development Department in July 2015. The Action Plan, i.e. 10 years reform agenda is consist of 5 pillars & 25 outcomes is phased out as under;

*Short term -2015-2017, Medium term -2017-2020, Long term -2020-2025*

3. The Government of Sindh took various initiatives during financial year 2015-16 to improve transparency and good governance through PFM reforms strategy.

**I. Resource Mobilization & Debt Management:** Tax Reform Unit (TRU) and Debt Management Unit (DMU) have been established in Finance Department in FY 2014-15.

### **Tax Reform Unit (TRU):**

4. In order to implement Sindh Tax Reform Management Reform to mobilize revenue, a Tax Reform Unit was established in Finance Department in July 2014 which would generate data & information, design and implement specific imitative for rising optimal tax revenue and orchestrate a tax policy dialogue among tax administration entities. TRU will coordinate with three tax collection agencies of Government of Sindh i-e Sindh Revenue Board, Excise, Taxation & Narcotic Control Department and Board of Revenue to enhance revenue collection.

5. In order to meet the training needs of the tax officials, Government of Sindh hired services of Institute of Business Administration (IBA) to help revitalize its SPSMRP program by providing research and capacity building support in the areas identified by Government of Sindh. Besides this, Automation Reforms have also been introduced which include provincial unique taxpayer identification number; establishment of IT governance protocols that provide timely solutions spanning over assessment, automated notices, collection (including e-payments), audit, appeals and integrity management.

### **Debt Management Unit (DMU):**

6. To keep the Debt Management system in the province, a Debt Management Unit was also established in Finance Department in July 2014 which would have an active and functional debt management office within FD structured along functional lines: Back, Middle and Front Office, where the operational, analytical and execution functions are no longer segregated, developing a procedures, manual for borrowing, consolidating Debt Database, Formulating a Debt Management Strategy and undertaking Debt Sustainability Analysis, designing an Operational Risk Management Plan. In addition to this Debt Manual is being prepared.

### **II. Planning and Budgeting:**

#### **Budget Strategy Paper:**

7. Budget Strategy Paper (BSP) is a policy document which assists public understanding of the fiscal situation and proposed budget strategies of the Government. It usually contains the principles that will guide the whole budget cycle and broad fiscal parameters, key government strategies, priorities and policies for the management of public revenues & expenditures. It gives a brief analysis about transition of Budget Strategy Paper with Medium Term Fiscal Framework, Medium Term Development Framework and risk to the budget parameters. BSP is a concrete framework for the preparation of departmental budget forward estimates and the development of detail budget policies. Budget Strategy Paper has been developed for financial year 2015-16. Budget Strategy Paper is 3 year rolling plan that sets polices & priorities of the Government in medium term. The Budget Strategy Paper (BSP) is approved by the Provincial Cabinet of Sindh. Quarterly Budget Execution reports are generated from SAP system and sent to Provincial Assembly for discussion.

#### **Preparation of Master Data:**

8. Finance Department in consultation with other stake holders such as, Accountant General Sindh and Administrative Departments developed a new master data which will be introduced w.e.f 1st July 2016. In Master Data new demands have been created / sequenced. The functional classification, as well as functions assigned to cost centers have also been revised / corrected. In this connection FABS Directorate Islamabad has enhanced range of entity elements for Finance Department Government of Sindh. The new developed master data will remove various anomalies and will help in correct report generation.

### **II. Budget implementation**

#### **Cash flow forecasting & liquidity Management:**

9. In order to strengthen internal control, Internal Audit Function is being established in Finance Department and the same exercise will be replicated in line departments. In this connection, under the legal & regulatory frame work, the draft

Internal Audit Charter has been developed for robust Internal Audit Function in Sindh. The Internal Audit Charter is being developed. Besides this, Audit test for pay roll data of Finance Department has also been carried out on ACL software, to get cognizance about fiduciary risk areas and to prepare risk based audit plan.

### **III. External Over Sight and Audit by Parliamentarians (Outcome-4)**

10. Priority is assigned to strengthen the over sight function of Provincial Assembly. However, the suggested oversight cannot be achieved without dissemination of complete information. In this context, an interactive information dissemination workshop was organized on 26<sup>th</sup> April, 2016 with the objective to inform to Honourable MPAs regarding budgetary process, budget documents and sectorial budget analysis. During the workshop, the MPAs from treasury as well as opposition raised various queries which were replied by the trainers and the Honourable Finance Minister Sindh. All quarterly reports have been presented to the Provincial Assembly. The reporting formats are being reviewed for further improvements.

### **IV. Institutional frame work & support system (Outcome 5):**

11. Under institutional framework, five Operational Reform Groups (ORGs) on Planning, Budgeting, Accounting, IFMIS and improving Internal Financial Management Capacity have been notified.

12. In order to support the system various capacity building workshops / trainings have been organized for senior level managers, mid-level managers & budget officers and officials. The training was provided in areas of modified BCC, MS-Excel & PFM- Outreach program. Besides this, a legal and financial regulatory framework is being developed.

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