

ANNUAL PROGRESS REPORT REGARDING PUBLIC FINANCIAL MANAGEMENT REFORM STRATEGY FOR FINANCIAL YEAR 2017-18.

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 i.e. US \$50 million IDA Credit No: 5584 PK, with the 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 by improving budget formulation, execution and related over sight mechanism. The interventions include: transparency in budget formulation 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 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.

The PFM reform strategy is an ambitious program with many inter connected components. The strategy is approved by Sindh Cabinet in October 2014 and is being implemented by PFM Action Plan (PFM-AP) approved by Provincial Steering Committee 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

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

REVISION OF THE PFM ACTION PLAN

PFM-SPP carried out an internal mid-term review of the Action Plan pertaining to EU-TA. The purpose was to assess the progress made so far, and to re-examine the timelines to see what could realistically be achieved within the remaining timespan of the project. As a result, some activities originally planned for the medium-term were re-adjusted in the longer term. Since the Action Plan is a rolling plan, all activities of medium term have been adjusted in the short term, that is, in the remaining years of the current project. Similarly, some milestones have also been better aligned with outputs. The revised Action Plan is to be submitted to the Steering Committee for approval.

The progress made during the year under discussion is mentioned under the relevant pillars of the Action Plan below:

PILLAR 1.

1. Resource Mobilization & Debt Management:-

Tax Reform Unit (TRU) and Debt Management Unit (DMU) have been established in Finance Department.

Tax Reform Unit (TRU):

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 initiative for rising optimal tax revenue and orchestrate a tax policy dialogue among tax administration entities. TRU will coordinate to three tax collection agencies of Government of Sindh i.e Sindh Revenue Board, Excise, Taxation & Narcotic Department and Board of Revenue to enhance revenue collection.

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):

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 has been prepared and submitted for approval.

PILLAR 2. PLANNING & BUDGETING

Main activities under this Pillar include:

- Diagnostic study on issues in Regional Statistics and way forward.
- Diagnostic study on Public Investment Management in Sindh presented to P&DD.
- Completion of a new and improved website for P&DD.
- Concept Note on establishment of a Research & Training Wing (R&TW) in P&DD, including TORs, structure of the wing, qualifications of the researchers etc. This was approved and the work on establishing the wing was initiated.
- Workshop on Planning Manual was held, and thereafter work on developing a Planning Manual was initiated during the year. First draft of the Planning Manual was submitted for review.
- Seminar on Opportunities in Agriculture under CPEC.
- Initiation of Strategic Planning exercise to prepare sectoral plans in the Environment Department and Livestock & Fisheries Department.

- Continued support for preparation of Budget Strategy Paper (BSP). Budget Strategy Paper (BSP) is 3 year rolling plan that sets policies & priorities of the Government in medium term. 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 2017-18. BSP was approved by Cabinet in February 2017, and submitted to Parliament (Standing Committee on Finance).
- Support in preparation of an improved Salient Features of the Budget.
- Further improvement in Budget Call Circular (BCC).

PILLAR 3. BUDGET EXECUTION, REPORTING, ACCOUNTABILITY, AND TRANSPARENCY

- Study on Food Account.
- Initiation of exercise for measuring contingent liabilities in Government of Sindh
- Concept paper and way forward on Commitment Accounting prepared and share with stakeholders including office of AG Sindh.
- Continued support in FMIS for preparation of Revised Estimates, and the Final Re-appropriation Order.
- Development of Quarterly Report for Sindh Assembly from FMIS.
- Analysis of budget, expenditure, and payroll issues in Schools Education & Literacy Department, with subsequent correction in budget and posts.
- Support to AG Sindh in final accounts.
- Continued support to FD and AG in accounting matters such as revaluation of investments and its reporting.

PILLAR 4. EXTERNAL OVERSIGHT

The activities pertaining to Provincial Assembly are henceforth dealt with under a separate EU funded project called SUBAI and is not part of the existing Action Plan.

PILLAR 5. INSTITUTIONAL FRAMEWORK AND SUPPORT SYSTEMS

- Seminar on Chief Financial Officer (CFO) in Public Sector conducted.
- Submission of Capacity Development Strategy to the Chief Secretary Sindh.
- Training on BCC for Administrative Departments.
- Training on PFM to Budget Officers at divisional level. Three divisions were covered during the year. More than hundred DDOs attended.
- Training on Pension Rules & Regulations to Administrative Departments.
- Submission of draft Sindh Public Finance Administration Act to CM secretariat.
- Submission of draft Sindh Financial Rules to Finance Department.
- Submission of draft Treasury & Subsidiary Rules to Finance Department.
- Submission of draft Delegation of Financial Powers to Finance Department.