



Governance and Policy Program for Khyber Pakhtunkhwa (KP) (P156410)

SOUTH ASIA | Pakistan | Governance Global Practice |
 Recipient Executed Activities | Investment Project Financing | FY 2017 | Seq No: 4 | ARCHIVED on 07-Jun-2019 | ISR37260 |

Implementing Agencies: Economic Affairs Division, Planning and Development Department, Khyber Pakhtunkhwa

Key Dates

Key Project Dates

Bank Approval Date: 20-Apr-2017

Effectiveness Date: 23-May-2017

Planned Mid Term Review Date: 28-Jan-2019

Actual Mid-Term Review Date: 15-May-2019

Original Closing Date: 30-Jun-2020

Revised Closing Date: 30-Jun-2020

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Project Development Objective (PDO) is to strengthen the capacity for Sales Tax on Services collection, and improve public investment management and accountability of public service delivery in the water sector in Khyber Pakhtunkhwa.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

Increasing capacity for revenue mobilization and the public financial management:(Cost \$5.25 M)

Improving public investment management and accountability in public services:(Cost \$5.25 M)

Providing effective support for the coordination of governance reforms and operational management:(Cost \$2.50 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Satisfactory	● Satisfactory
Overall Implementation Progress (IP)	● Satisfactory	● Satisfactory
Overall Risk Rating	● Substantial	● Moderate

Implementation Status and Key Decisions

Progress towards achievement of PDO continues to be satisfactory. In particular, activities to strengthen the capacity for collection of sales tax on services have had a positive progress and have contributed to the achievement of the PDO. For instance, the Khyber Pakhtunkhwa Revenue Authority (KPRA) has initiated steps to strengthen its institutional capacity first by augmenting its staff capacity with additional hires, including technical leads in core areas of tax policy, audit, and administration. The KPRA is also preparing a Strategic Plan, and recruiting staff to undertake an organizational assessment and legal review. The Tax Policy Unit, now under the KPRA has taken a strategic role in coordinating meetings with other revenue authorities in KP, including the Board of Revenue and the Excise Tax and Narcotics Department. The KPRA also prepared the Quarterly Revenue Monitoring Report; and conducted a five year analysis on revenue collection. Similarly, to improve PIM and accountability of



public service delivery in the water sector, the Public Investment Management (PIM) Action Plan has been drafted and endorsed by a cross-departmental working group, and is awaiting finalization and approval by the PIM Core Committee. The Geographic Information System Lab in the Planning and Development Department continues to geo-tag all provincial government assets.

Overall Implementation Progress is also satisfactory, with significant progress in each of the two components.

In Component 1: Increasing capacity for revenue mobilization and the public financial management the KPRA continues to make progress in increasing the number of registered taxpayers. There are 85 sectors in which new tax payers have been registered, with the four main ones being contractual execution of works or furnishing supplies: 23 percent; transport: 20 percent; construction 9 percent; and franchise: 7 percent. Two Tax Facilitation Centers (TFC) have been operationalized in Peshawar and Abbottabad.

Partly due to the establishment of the TFC, there has been an increase in the number of registered taxpayers. KPRA registered 1,177 new taxpayers in 2017-2018, a 43 percent increase over 2017. There has also been progress in filing: out of the total 2,755, about 2104 (76 percent) registered tax payers filed their returns, while only 651 taxpayers failed to file monthly return. Compared to the baseline (2014/2015) where only 46 percent of registered tax payers filed, this represents about a 30-percentage point increase over the baseline, a significant achievement above the 15 percent annual target for 2017/2018. Consequently, the Government is on track to meet the requirements for disbursement of funds linked to this indicator.

The project has also supported the establishment of a Debt Management Unit (DMU), Corporate Governance Unit (CGU) and a Tax Policy Unit (TPU) to support the Finance Department (FD). These units have been instrumental in the formulation of important policy decisions. Some of the achievements for the DMU include ongoing work to establish the loans database, compilation of loan records, reconciliation of outstanding balances, and training of staff. Additional activities, including the development of an external debt management procedure manual and the preparation of a medium-term debt strategy are planned. Similarly, the key achievement of the CGU during the period under review is the finalization of a Diagnostic Study on Corporate Governance of selected eight public sector companies and Autonomous Bodies in four priority sectors including water, industry, energy, power, trade and investment. The key areas of study included revenue generation, fiscal risk and operational efficiency of these companies. The TPU has been instrumental in strengthening provincial capacity for policy deliberation and decisions, coordination for tax policy objectives, and integrated leadership of tax administration. Since its establishment, the TPU has undertaken some initial research on enhancing tax payer facilitation and revenue collection, monitored revenue collection by tax authorities through the Quarterly Revenue Monitoring Report and the 5 year performance Analysis of REs on Revenue collection. The TPU has also supported policy development for the FD, including on the simplification of tax procedure and payment of taxes.

The PFM Accreditation Program is also on track to deliver a pilot course starting July 15, 2019. The program aims to improve the knowledge base of civil servants in the participating provinces through provision of a competitive learning tool – the Public Financial Management (PFM) professional accreditation program. It is expected to create skilled resources for managing the public expenditures efficiently. To date, the project has supported the preparation of the core bespoke modules which will be presented alongside the standard modules already used by Association of Chartered Certified Accountants (ACCA).

In Component 2: Improving public investment management (PIM) and accountability in public services. Implementation progress of activities in this component is satisfactory. The project has supported the preparation of the PIM Action Plan that lays out key steps and required actions to strengthen the management of public resources. To support PIM, the project has supported geotagging of government assets, including a total of 500 assets, over and above the annual target of 50 for 2017/2018. Moreover, there is satisfactory progress in citizen engagement, implemented under the Right to Services Commission. Additionally, delivery timelines of 25 notified services has significantly improved. Over 90 percent of complaints are resolved within the stipulated timelines. The project also has supported the collection of feedback from 692 citizens on water service in two districts, approximately 20 percent of the feedback was from women. In general, about 91 percent of water connection services were provided to citizens within the stipulated time period. Similarly, services for supply of drinking water, were provided on time in about 91 percent of the time. And, to further engage citizens, several District Integration Forums (DIF) have been held in three districts: Kohat, D.I Khan and Buner. The DIFs offer a direct opportunity for citizens to air their complaints about service delivery to key government officials, with the support of the officials of the Right to Public Services (RTS) Commission officials.

Capacity building of public officials has also been supported under this component. Altogether, 60 (including 21 women) have benefited from project financed training in project management and monitoring and evaluation (M&E). Additional 24 officers have completed online training in basic procurement, even though success in this activity has been less encouraging given the difficulty of accessing online resources. The project financed trainings in local institutions providing opportunities for collaboration while also strengthening the capacity of government officials. Going forward, the project team is preparing a Learning Strategy that would more systematically link the training needs with the available resources and opportunities for training in a strategic manner.

Support for the Secretariat for District Judiciary has helped produce satisfactory outputs in the form of draft civil laws reform, draft alternative dispute resolutions rules, framework for financial management at district levels and case management information system in three districts of Abbottabad, Torghar and Mansehra. Having created the foundational capacity for the Secretariat forthcoming activities will focus on strengthening of data analysis to track pending cases, extension of human rights cells to the court benches and digitization of court records.

Progress in strengthening the capacity for monitoring and evaluation has proceeded slowly, given the lack of clarity on the concept of "centers of excellence" for M&E that was expected to be established. Going forward, the project will support the strengthening of technical



capacity for M&E in various departments; support the roll out of M&E systems at the district level; and support the implementation of a decision tool for project planning.

The mid term review (MTR) of the project conducted during April and May identified several activities that are currently being implemented but are neither reflected in the PDO, nor in the Results Framework. Going forward, the Result Framework will be updated to properly incorporate activities being supported. These include project support to the Secretariat of the District Judiciary on strengthening of its administrative capability; support to the Performance Management Reform Unit, where the project has provided equipment and personnel and to the Water & Sanitation Services Peshawar (WSSP) where the project has supported the complaints management system.

The MTR also identified other project management issues that would need to be resolved during the restructuring. This includes (i) providing clarity on the role and reporting structure of the Governance Reform Unit (ii) revision of the Operation Manual to improve clarity and enforceability (iii) establishment of various policies governing management of project staff (e.g. leave policy and attendance policy) and, (iv) opportunities for streamlining procurement and financial management processes.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● Substantial	● Substantial	● Substantial
Macroeconomic	● Substantial	● Substantial	● Substantial
Sector Strategies and Policies	● Moderate	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● High	● High	● Moderate
Fiduciary	● High	● High	● Moderate
Environment and Social	● Substantial	● Low	● Low
Stakeholders	● Moderate	● Moderate	● Moderate
Other	● High	● High	● High
Overall	● Substantial	● Substantial	● Moderate

Results

PDO Indicators by Objectives / Outcomes

Strengthen capacity for Sales Tax on Services collection				
► Increased collection of the Sales Tax on Services (STS) (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	7.30	10.80	10.80	9.86



Date	30-Jun-2016	30-Jun-2018	24-May-2019	30-Jun-2020
Improve Public Investment Management & accountability in public service delivery in water sector				
►Average size of per project appropriation in the water sector included in the ADP (Amount(USD), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	79.00	56.00	56.00	200.00
Date	30-Jun-2016	30-Jun-2018	24-May-2019	30-Jun-2020
Comments:	FY2015/16 average for target sectors: PKR 84.8 million (PKR 98.6 million for hydropower, PKR 79 million for WSS). For the purposes of the project the Water sector (WSS) baseline FY15-16 is considered i.e. 79 million. FY 16-17 (i) Amount: PKR 4213 Million (ii) Number of projects: 91 (iii) average: PKR 46 Million FY 17-18 (i)Amount: PKR 5160 Million (ii) Number of projects: 91 (iii) average: PKR 56 Million			
►Number of districts where citizen feedback on WSS services is systematically collected and disseminated (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2.00	2.00	25.00
Date	16-Aug-2016	30-Jun-2018	23-May-2019	30-Jun-2020
Comments:	Citizen feedback on WSS services was collected in the districts of Mansehra and Mardan in the first months of project implementation. A total of 692 citizens (including 134 women) provided feedback on the availability and quality of drinking water as well as basic sanitation. However, such feedback needs to be disseminated and systematically collected at least once a year. Citizen feedback is to be extended to further districts in the current fiscal year.			
▲Percentage of women among feedback providers (Percentage, Custom Supplement)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	19.40	19.40	50.00
►Number of districts where citizens are engaged in monitoring WSS services (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2.00	2.00	25.00
Date	16-Aug-2016	30-Jun-2018	23-May-2019	30-Jun-2020
Comments:	Fifteen (15) citizens/young professionals provided the third-party monitoring (geo-tagging and collection of beneficiary feedback) in the districts of Mardan and Mansehra, including 5 women.			
▲Percentage of women engaged in monitoring WSS services (Percentage, Custom Supplement)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	33.00	33.00	50.00
►Number of officials certified in FM, procurement, project management and M&E (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target



Value	0.00	0.00	78.00	300.00
Date	30-Jun-2016	30-Jun-2018	31-May-2019	30-Jun-2021
Comments:	The ACCA has been contracted to develop the FM certification training modules, after which the training of relevant government officials for FM will take place. The pilot training is scheduled to begin July 15, 2019. The procurement immersion plan has started with online trainings. About 17 officials have completed training. About 61 have completed training in M&E and Project Management. Altogether, about 78 officials have been trained.			
▲Number of women certified in FM, procurement, project management and M&E (Number, Custom Breakdown)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	28.00	35.00
Date	30-Jun-2016	01-Aug-2017	24-May-2019	30-Jun-2016

Overall Comments

Number of officials certified in FM, procurement, project management and M&E : This indicator will be revised after the Mid-Term Review so that each discipline is captured separately.

Intermediate Results Indicators by Components

Increasing capacity for revenue mobilization and the public financial management				
▶STS tax payers that filed tax returns - DLI1 (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	46.00	1,085.00	30.00	40.00
Date	30-Jun-2016	30-Jun-2018	23-May-2019	30-Jun-2020
Comments:	In 2016/17, 2,104 out of 2,755 or 76 percent of registered tax payers filed their taxes. This is a 30 percentage points increase over the 2015/2016 baseline, where 578 filed out of the registered 1259.			
▶Rate of filing compliance (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	45.00	48.00	76.00	80.00
Date	30-Jun-2015	30-Jun-2018	23-May-2019	30-Jun-2020
Comments:	There were 2,755 in 2017/2018 of which 2,104 filed.			



► Deviation between STS revenue forecasts and actual revenue collected (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	30.00	30.00	30.00	10.00
Date	30-Jun-2014	30-Jun-2018	23-May-2019	30-Jun-2020

Improving public investment management and accountability in public services				
► Number of public investment assets in water sector that have been geo-mapped and published online - DL12 (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	550.00	550.00	500.00
Date	30-Jun-2014	30-Jun-2018	23-May-2019	30-Jun-2020
► Increased share of development projects in the water sector that are completed within original schedule (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	20.00	20.00	20.00	60.00
Date	30-Jun-2016	30-Jun-2018	23-May-2019	30-Jun-2020
Comments:	Data to be collected annually and was to be first reported by June 2018, however data is not yet available.			
► Reduction in WSS services provided to citizens beyond the stipulated timeframe (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1.00	28.50	28.50	5.00
Date	16-Aug-2016	30-Jun-2018	23-May-2019	30-Jun-2020
Comments:	The baseline refers to the one complaint received at the time of project preparation when WSS standards had recently been issued. Standards for Water and Sanitation Sector (WSS) services under KP RTPS Act have been issued for water connections, the supply of clean drinking water and the disposal of garbage. In 2017, 6% of water connections were provided beyond the stipulated timeframe (2 weeks) and 57% of the supply of clean drinking water was delayed. This corresponds to 28.5% of services provided beyond the stipulated standards (the target for year 1 of project implementation is 20%). Compliance with standards with regard to garbage disposal services will be captured and included in subsequent reports. (Garbage disposal is part of the Water and Sanitation Sector)			

Providing effective support for the coordination of governance reforms and operational management				
► M&E Reports on KP Long-term Governance Action Plan (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Yes	No	No	Yes



Date	16-Aug-2016	30-Jun-2018	23-May-2019	30-Jun-2020
Comments:	The Government of KP priorities have been shifting with the current focus on taking stock of the implementation of the current Integrated Development Strategy (ending in 2018) and developing a new IDS (2018-2023) in light of the upcoming elections. This indicator is no longer necessary because GoKP dropped plans for the Governance Action Plan. A new indicator will be formulated during the upcoming restructuring.			

Data on Financial Performance

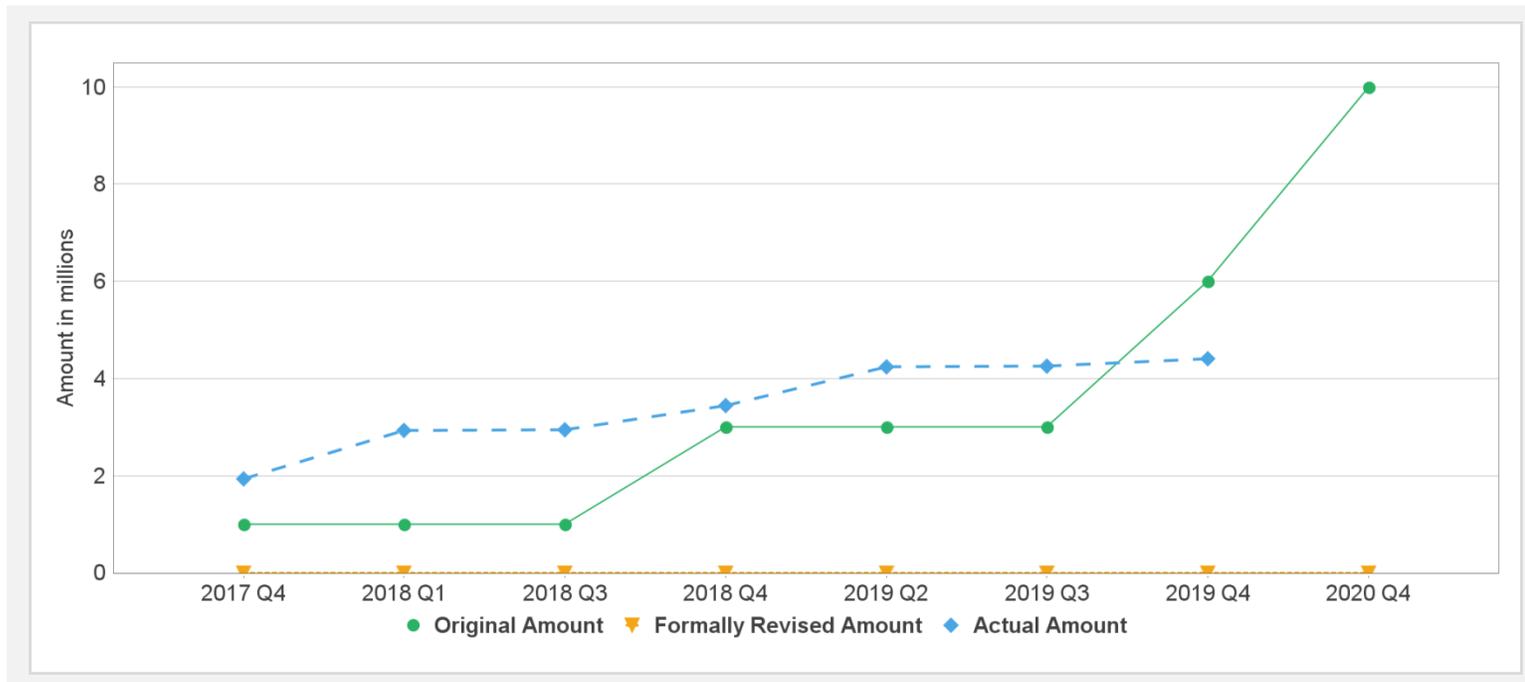
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P156410	TF-A3361	Effective	USD	10.00	10.00	0.00	4.41	5.59	44%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P156410	TF-A3361	Effective	23-May-2017	23-May-2017	23-May-2017	30-Jun-2020	30-Jun-2020

Cumulative Disbursements





Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.
