

Government of Pakistan
Finance Division
Budget Wing

Reference No. 4/WB/Legal Covenants/2018

**REQUEST FOR EXPRESSION OF INTEREST FOR HIRING OF
INDEPENDENT VERIFICATION AGENT**

GoP and World Bank has signed a financing agreement for a 4-year program titled **“Program for Results (PfR) Public Financial Management and Accountability to Support Service Delivery”**. The progress of the project is measured through Disbursement Linked Indicators (DLIs). An Independent Verification Agent (IVA) is required to be appointed to verify achievement of DLIs.

2. Finance Division, therefore, intends to engage services of firm registered with Sales Tax, Income Tax Department as Active tax payer, in accordance with PPRA Rules 2004 under “Single Stage Two Envelop Procedure”. Firm will be selected in accordance with PPRA Consultancy Services Regulations, 2010.

3. Details of DLIs and ToRs for hiring of IVA can be obtained from the office of the undersigned during working hours before closing date/time or can be downloaded from the website of PPRA (www.ppra.gov.pk) and Ministry of Finance (www.finance.gov.pk)

4. The sealed bids (technical & financial) prepared in accordance with the ToRs must reach in the Office of undersigned on or before 22-06-2018 at 10:30 A.M. Bids will be open on the same day at 11:00 A.M.

5. The procuring agency reserves the right to accept/reject the bids under the provision of PPRA Rules.

Sumera Rafiq
Section Officer (BR-III)
Finance Division,
Office: Room No. 130, Q Block, Pak Secretariat,
Islamabad, Pakistan
Ph: +92-51-9209209, Fax: +92-51-9211079

Terms of Reference (ToRs)For
Hiring of Third Party Firm for DLI Verification
Under
PROGRAM-FOR-RESULTS
PUBLIC FINANCIAL MANAGEMENT AND ACCOUNTABILITY
TO SUPPORT SERVICE DELIVERY

I. Project Context:

1. **The provisional estimates of the 6th population census puts Pakistan’s total population at 207.8 million. The provisional estimate for FY2016/17 GDP stands at US\$305.0 billion, which translates into a per-capita income of US\$1467.9 placing it in the lower middle income country category.** GDP growth continues to increase and was at 5.3 percent in FY16/17 from 4.5 percent in FY2015/16, driven by services growth of 6.0 percent and industrial sector growth of 6.0 percent. The agriculture sector, after weak performance in FY2015/16 recovered and grew by 3.5 percent. The Government set a new national poverty line that identifies 29.5 percent of Pakistanis as poor (using the latest available data of FY2013–14) whereas recently launched Multidimensional Poverty Index (June 2016) estimates the country’s multidimensional poverty headcount ratio at 38.8 percent.
2. **Vision-2025 clearly underscores the importance of education and health** and aims at substantial expansion in levels of education as well as improvements in quality through target public expenditure on education sector to reach 4% of GDP by 2018. Similarly, the government has also planned to increase access to healthcare and ensure a minimum level of service delivery throughout the country, by enhancing spending on health sector to 3% of GDP. The 18th Constitutional Amendment passed by the National Assembly on April 8, 2010, enhanced provincial autonomy and reshaped federal–provincial relations. A total of 43 departments in 18 ministries were abolished in 2011/12 and transferred to the provinces for service delivery.

Multi-sectoral and Institutional Context

3. **The Pakistan Millennium Development Goals Report 2013 noted that Pakistan lagged on most of the targets especially in areas of education and health.** Through the National Finance Commission (NFC) awards, the provincial share of federal taxes (divisible pool taxes straight transfers, and GST on services) has seen a budgeted increase of 59 percent between 2013-14 and 2017-18 (from Pkr1502 billion to Pkr2,384 billion) but the benefits of such increased flow of resources has not been visible on ground (service delivery deficits). As noted in the IMF Country Report No. 17/213 - Pakistan Selected Issues (July 2017), progress with respect to basic service delivery-one of the key economic justifications for fiscal decentralization-has been mixed. Notwithstanding some improvements, notably with respect to child immunization rates, overall social outcomes with respect to basic services in some cases

did not improve amid gradually increasing but still low levels of spending in these areas. There were also notable differences across provinces in these outcomes. *These observations point to capacity constraints in public administration and public finance management systems which vary across provinces.*

4. **Despite improvements, education and health outcomes remain below the regional average, with public spending in these areas comparatively lower than in other emerging markets.** Education and health outcomes have improved during 2000–15, with the primary gross enrollment ratio and youth literacy rate increasing to 94 percent and 73 percent, respectively, and infant mortality declining. Public spending in education and health increased to 2.5 and 0.9 percent of GDP, respectively, but remains well below emerging markets’ average, also reflecting capacity constraints at the provincial level in the implementation of development spending. However, education and health outcomes remain below the South-Asia average and Pakistan ranks low on the Human Development Index (147 out of 188 countries in 2015, unchanged from 2009).

5. **The low social service outcomes are exacerbated by PFM bottlenecks that are affecting efficient management and decision making to deliver social services.** The government is keen to demonstrate that besides the ongoing infrastructural developments; the government is also committed to improving everyday life of citizens by demonstrating service delivery improvements on ground in a transparent manner. This “political economy constraint” provides a window of opportunity to address the compliance gaps and outstanding key PFM/procurement bottlenecks which inhibit transparent, effective and efficient service delivery.

6. **This PforR is targeted at the intermediate level of improving the ‘systems’ for PFM/procurement that will lead to better management of the health and education budget in a transparent and accountable manner.** ‘Systems’ in this scenario is defined broadly as the: *legal and regulatory framework including policies and procedures manuals; human resource capability; adequate information system; transparency and accountability regime.* Despite the 18th constitutional amendment, responsibility for financial management systems remain within the federal jurisdiction, with direct bearing on provincial governments’ capacity for service delivery. Using the World Development Report (WDR) 2018 framework as a general guide for the targeted sectors of education and health (including nutrition, water and sanitation); this PforR will specifically address these two challenges: (i) funds do not reach schools or are not used for their intended purposes, and (ii) government agencies lack the capacity to use funding effectively. Other ongoing and planned sector-specific operations are intended to directly address outcome-level issues that are beyond the direct scope of PFM/procurement.

The Problem Statement:

- (i) *Highly centralized and complex payment authorization system with discretionary pre-audit regime causes delays of up to three weeks for service delivery units (such as basic health units and schools) to provide complete supporting documents to accounting offices for payment to suppliers;*

- (ii) *Legal framework* - Lack of a coherent and comprehensive legal framework generates uncertainty about mandated PFM practices, leading to a variety of practices on the ground, often resulting in inefficiencies and reduced transparency;
- (iii) *Non-linkage of approved budget and procurement plans* coupled with inefficiencies in procurement systems and processes result in project implementation delays thus impacting service delivery;
- (iv) *Weak expenditure tracking* - capital and maintenance expenditures for health and education facilities, as is the case for other government facilities, are the responsibility of the Public Works department (PWD) which receives advance from the relevant departments and operates its activities through project accounts that are not subjected to *ex-ante* expenditure controls, causes serious impediments to timely tracking of resource flows to service delivery units such as schools and basic health units;
- (v) *Cash management* – inefficient cash management prevents the optimal utilization of the federal and provincial governments’ cash to enable timely and transparent execution of the development budget, which impacts service delivery. Currently neither the federal nor provincial governments have an accurate view of their consolidated cash balance in real time, given the presence of multiple government accounts with commercial banks that are not linked with the Treasury Single Account (TSA). This is exacerbated by the significant statistical discrepancies¹ often reflected in reports on the Federal Government fiscal operations;
- (vi) *External audit* - in the backdrop of current and future challenges, a comprehensive review exercise undertaken by the Department of Auditor General of Pakistan (DAGP) revealed, growing reliance on information technology (IT) and need for making public finance data readily available to the public to support *social accountability*
- (vii) *Payroll and pension* – need for improved internal controls to support timely prevention and detection of unlawful payroll and pension payments and shift from manual to IT based recording and payments; and
- (viii) *Commitment, Coordination, Cooperation* - addressing the social sector challenges requires strong leadership, good governance, and effective coordination between the federal government and provinces to support implementation of fundamental reforms, restructure institutions, and strengthen systems including public financial management and procurement systems across all three levels of government.

7. **Vision-2025 clearly underscores the importance of education and health** and aims at substantial expansion in levels of education as well as improvements in quality through target public expenditure on education sector to reach 4% of GDP by 2018. Similarly, the government has also planned to increase access to healthcare and ensure a minimum level of service delivery throughout the country, by enhancing spending on health sector to 3% of GDP. The 18th Constitutional Amendment passed by the National Assembly on April 8, 2010, enhanced provincial autonomy and reshaped federal–provincial relations. A total of 43 departments in 18 ministries were abolished in 2011/12 and transferred to the provinces for service delivery.

Multi-sectoral and Institutional Context

¹ Statistical discrepancy means revenues and expenditures whose source and purpose are not known at the time of reporting - http://www.finance.gov.pk/fiscal/July_Mar_2017.pdf

8. **The Pakistan Millennium Development Goals Report 2013 noted that Pakistan lagged on most of the targets especially in areas of education and health.** Through the National Finance Commission (NFC) awards, the provincial share of federal taxes (divisible pool taxes straight transfers, and GST on services) has seen a budgeted increase of 59 percent between 2013-14 and 2017-18 (from Pkr1502 billion to Pkr2,384 billion) but the benefits of such increased flow of resources has not been visible on ground (service delivery deficits). As noted in the IMF Country Report No. 17/213 - Pakistan Selected Issues (July 2017), progress with respect to basic service delivery-one of the key economic justifications for fiscal decentralization-has been mixed. Notwithstanding some improvements, notably with respect to child immunization rates, overall social outcomes with respect to basic services in some cases did not improve amid gradually increasing but still low levels of spending in these areas. There were also notable differences across provinces in these outcomes. *These observations point to capacity constraints in public administration and public finance management systems which vary across provinces.*

9. **Despite improvements, education and health outcomes remain below the regional average, with public spending in these areas comparatively lower than in other emerging markets.** Education and health outcomes have improved during 2000–15, with the primary gross enrollment ratio and youth literacy rate increasing to 94 percent and 73 percent, respectively, and infant mortality declining. Public spending in education and health increased to 2.5 and 0.9 percent of GDP, respectively, but remains well below emerging markets’ average, also reflecting capacity constraints at the provincial level in the implementation of development spending. However, education and health outcomes remain below the South-Asia average and Pakistan ranks low on the Human Development Index (147 out of 188 countries in 2015, unchanged from 2009).

10. **The low social service outcomes are exacerbated by PFM bottlenecks that are affecting efficient management and decision making to deliver social services.** The government is keen to demonstrate that besides the ongoing infrastructural developments; the government is also committed to improving everyday life of citizens by demonstrating service delivery improvements on ground in a transparent manner. This “political economy constraint” provides a window of opportunity to address the compliance gaps and outstanding key PFM/procurement bottlenecks which inhibit transparent, effective and efficient service delivery.

11. **This PforR is targeted at the intermediate level of improving the ‘systems’ for PFM/procurement that will lead to better management of the health and education budget in a transparent and accountable manner.** ‘Systems’ in this scenario is defined broadly as the: *legal and regulatory framework including policies and procedures manuals; human resource capability; adequate information system; transparency and accountability regime.* Despite the 18th constitutional amendment, responsibility for financial management systems remain within the federal jurisdiction, with direct bearing on provincial governments’ capacity for service delivery. Using the World Development Report (WDR) 2018 framework as a general guide for the targeted sectors of education and health (including nutrition, water and sanitation); this PforR will specifically address these two challenges: (i) funds do not reach schools or are not used for their intended purposes, and (ii) government agencies lack the capacity to use funding

effectively. Other ongoing and planned sector-specific operations are intended to directly address outcome-level issues that are beyond the direct scope of PFM/procurement.

The Problem Statement:

- (ix) *Highly centralized and complex payment authorization system with discretionary pre-audit regime* causes delays of up to three weeks for service delivery units (such as basic health units and schools) to provide complete supporting documents to accounting offices for payment to suppliers;
- (x) *Legal framework* - Lack of a coherent and comprehensive legal framework generates uncertainty about mandated PFM practices, leading to a variety of practices on the ground, often resulting in inefficiencies and reduced transparency;
- (xi) *Non-linkage of approved budget and procurement plans* coupled with inefficiencies in procurement systems and processes result in project implementation delays thus impacting service delivery;
- (xii) *Weak expenditure tracking* - capital and maintenance expenditures for health and education facilities, as is the case for other government facilities, are the responsibility of the Public Works department (PWD) which receives advance from the relevant departments and operates its activities through project accounts that are not subjected to *ex-ante* expenditure controls, causes serious impediments to timely tracking of resource flows to service delivery units such as schools and basic health units;
- (xiii) *Cash management* – inefficient cash management prevents the optimal utilization of the federal and provincial governments’ cash to enable timely and transparent execution of the development budget, which impacts service delivery. Currently neither the federal nor provincial governments have an accurate view of their consolidated cash balance in real time, given the presence of multiple government accounts with commercial banks that are not linked with the Treasury Single Account (TSA). This is exacerbated by the significant statistical discrepancies² often reflected in reports on the Federal Government fiscal operations;
- (xiv) *External audit* - in the backdrop of current and future challenges, a comprehensive review exercise undertaken by the Department of Auditor General of Pakistan (DAGP) revealed, growing reliance on information technology (IT) and need for making public finance data readily available to the public to support *social accountability*
- (xv) *Payroll and pension* – need for improved internal controls to support timely prevention and detection of unlawful payroll and pension payments and shift from manual to IT based recording and payments; and
- (xvi) *Commitment, Coordination, Cooperation* - addressing the social sector challenges requires strong leadership, good governance, and effective coordination between the federal government and provinces to support implementation of fundamental reforms, restructure institutions, and strengthen systems including public financial management and procurement systems across all three levels of government.

Project Development Objective

² Statistical discrepancy means revenues and expenditures whose source and purpose are not known at the time of reporting - http://www.finance.gov.pk/fiscal/July_Mar_2017.pdf

12. The proposed project development objective (PDO) is *“to improve public financial management and procurement systems for better management of and accountability in service delivery for health and education sectors”*.

Key Program Results

13. **The proposed project will support the government in reducing the bottlenecks which constrain service delivery by improving the PFM/procurement systems that will allow for better management at the service delivery level.** Also, the main thrust of the program involved business process re-engineering to transform FABS into a decision support tool to improve operational efficiency in budget management for service delivery and enhance transparency and accountability by making key public finance data available to the public in user-friendly format. This is complemented by the other structural reforms such as improving the legal and regulatory framework and professionalization of the PFM cadre to ensure sustainability of the reforms through the three program pillars, with five mutually reinforcing key results areas (KRA) that are strategically chosen to support the government Program that will also contribute to achieving the PDO.

14. **The ultimate benefit of the project to citizens is that the PFM and procurement systems will support the government in providing critical social services in a transparent and accountable manner and increase citizen trust in government.** Collaborative leadership, behavioral change management and strategic communication are embedded throughout the reform activities.

Table 1: PforR Key Result Areas (KRAs) and indicative DLIs

PforR Key Result Areas (KRAs)	Indicative DLIs	Responsible
Pillar 1: Unlocking system constraints to service delivery		
KRA 1: Strengthening the legal framework and internal management systems in line ministries and service delivery units.	DLI 1: Improved budget reliability to enhance service delivery.	FD
	DLI 2: Improved cash management to ensure predictability of funds to undertake service delivery activities.	FD CGA
KRA 2: Improved procurement performance.	DLI 3: Improved transparency, efficiency and competition in procurement practices for better value for money in selected federal ministries and provincial departments.	PPRAs, CGA, Selected ministries, departments and PSEs.
KRA 3: Payroll and pension payment systems.	DLI 4: Improving payroll controls for sanctioned positions in primary schools and basic health units.	CGA, ministries, departments
	DLI 5: Receipt of full or partial pension (100% net pension with commutation withheld) payment to superannuating pensioners through the Direct Credit Scheme no later than the following pension payment cycle after retirement.	CGA, ministries, departments
Pillar 2: Enhancing transparency, citizen participation and accountability		
KRA 4: External audit and legislative scrutiny.	DLI 6: Audit Management Information System (AMIS) systematically used for effective and timely follow-up on action taken by the executive or the audited entity on audit observations and Public Accounts Committee (PAC) recommendations.	DAGP FD / selected

	DLI 7: Budget Performance Observatory (BPO) created for selected social sectors.	ministries, departments and PSEs.
Pillar 3: Federal-Province vertical PFM coordination		
KRA 5: PFM innovations.	DLI 8: Strengthen coordination between federal and provincial governments and institute an incentive system to improve fiscal performance and service delivery in selected areas.	FD CGA

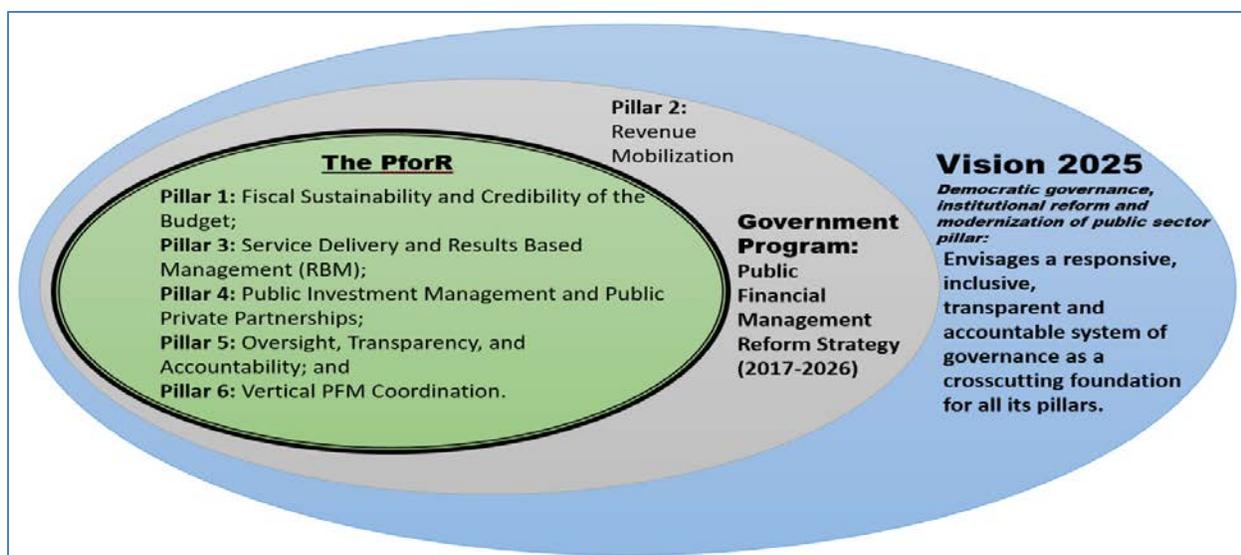
15. The progress towards achieving the PDO will be measured by the following intermediate result indicators.

- (i) Reduced per cent variance in functional expenditure composition for health and education (*DLI*).
- (ii) All government bank accounts are consolidated daily (*IR*).
- (iii) Percentage of vendor contracts processed through the e-procurement system and signed within date specified in approved procurement plan in selected federal ministries and provincial departments (*IR*).
- (iv) Audit Management Information System (AMIS) systematically used for effective and timely follow-up on action taken by the executive or the audited entity on audit observations and PAC recommendations (*DLI*).
- (v) Percentage of fiscal performance and service delivery indicators met (*IR*).

PforR Program Scope

16. **The government program is underpinned by the PFM Reform Strategy which consists of six pillars and provides for certain initiatives that are cross-cutting in nature: legal and regulatory framework; capability improvement; and information technology systems.** The PforR supports five out of the six pillars of the PFM reform strategy as shown in figure 2 below. Support for revenue mobilization is being considered through a separate PforR operation. The 6 pillars and the various reform components of the PFM Reform Strategy; the responsible institutions; and the specific aspects of the PforR that take cognizant of the absorptive capacity and financial resources of GoP are shown in Table 3 of the Technical Assessment.

Figure 1: Program boundary



17. **The PforR will play a contributory role by unblocking the PFM/procurement bottlenecks to indirectly contribute to the expected health and education outcomes by strengthening the control and accountability mechanisms for better management of the budget in a transparent and accountable manner.** The ongoing Second Sindh Education Sector Project (P125952) and Punjab Health Sector Reform Project (P123394) are intended to directly address sector-specific outcome (*CPS Outcome 4.2: Improved Access to Maternal and Child Health Services - percent of births attended by skilled health personnel increased from 52 percent to 60 per cent; increased use of modern contraceptive methods from 26 per cent to 30 per cent; and increased child immunization by 20 per cent. CPS Outcome 4.3: Increased School Enrollment and Adoption of Education Quality Assessment - gross primary enrollment rates increased by at least 10 per cent and at least three provinces to carry out annual student achievement tests; and show positive trend in learning outcomes*).

18. **The first pillar of the PforR (unlocking system constraints to service delivery) supports pillar one, three and four (fiscal sustainability and credibility of the budget; service delivery and results based management; and public investment management and public-private partnership (PPP)) of the PFM Reform Strategy.** This pillar is dedicated to strengthening the legal framework and internal management systems in line ministries and service delivery units; improved procurement performance; and robust payroll and pension payment systems.

19. **The second pillar of the PforR (enhancing transparency, citizen participation and accountability) supports pillar five (oversight, transparency and accountability) of the PFM reform strategy.** Transparency and participation have been shown to promote greater accountability around the use of public funds to prevent corruption and enhance service delivery.

20. **The third pillar of the PforR (Federal-Province vertical PFM coordination) supports pillar six (vertical PFM coordination) of PFM reform strategy.** Successful implementation of this pillar is critical for the underlying drivers of government-wide policy effectiveness which were identified by the WDR 2017: Governance and the Law as

commitment, coordination, and cooperation to ensure that the PFM institutions and service delivery units carry out their functions that ensure that rules and resources yield the desired policy outcomes. This pillar will focus on establishing a Forum/Mechanism for vertical PFM coordination between the provinces and the federal government for coordination and strengthening of federal-provincial fiscal relationship and providing incentive for good fiscal performance and service delivery outcomes through Innovation Awards.

Table 2: Program Financing (\$ Million)

Source	Amount	% of Total
Government	417	50%
IDA	400	49%
Other Development Partners	7	1%
Total Program Financing	824	100%

21. **The design of the program has benefited from close consultation and collaboration with other Development Partners.** To ensure that duplications are avoided by capitalizing on complementarity and focusing on synergies, the Bank's value addition of convening power will be used to complement the various support from other projects such as the European Union (EU) €16.3 million Public Financial Management Support Programme for Pakistan (PFM-SPP); the United States Agency for International Development (USAID) support to the AGP; and the United Kingdom Department for International Development (DFID) Sub-National Governance (SNG) program that has successfully implemented an Innovation Fund in Punjab to improve services in the health sector.

Disbursement Linked Indicators and Verification Protocols

22. **The Results Framework (Annex 2) is aligned with the OBB of the implementing agencies.** *Verification protocol:* Achievement of DLIs will be reported using the Government's reporting systems. An Independent Verification Agent (IVA) will be appointed by Ministry of Finance for validation of achievement of the DLIs. Within three months of the end of each year, Finance Department will present evidence of achievement of the DLI to the IVA. The data source for DLI achievement verification and the procedure for verification are given in Annex 3. The IVA will rely upon desk review of documentation provided by responsible institutions and will conduct field visits where physical verification of evidence is required. The IVA will validate the baseline data in the first year of implementation. Upon completion of the annual verification exercise, the IVA will submit a verification report to Finance Department. Disbursement requests to the Bank will be accompanied by copy of the verification report. The verification report will be used as the basis for determining the amount to be disbursed. For non-scalable DLIs, disbursement will be triggered only when the DLI is achieved in full. For scalable DLIs, the disbursement value will be proportional to the results achieved.

II. Objectives of the Consultancy:

The purpose of this assignment is to conduct an independent verification of progress on DLIs before any disbursement can be done for the project under the DLI category of expenditure. This consultancy aims to: (a) design evaluation methodology for verification of the progress made on DLIs by

the Ministry of Finance; (b) Conduct the verification in a transparent and independent manner such that it provides the robust evidence for decision makers.

III. Scope of Consultancy

Ministry of Finance, Government of Pakistan is seeking an experienced consulting firm or association of firms (in joint venture or sub-consultancy) in Pakistan to conduct third party verification of the DLI based results achieved under the Program. The primary task of this exercise will be to carry out transparent and impartial verification of the DLIs under various components of the project.

The scope of work for this assignment includes:

- (i) Assess progress against each DLI and verify results achieved between 1st January 2018 and 30th June 2018. Specific DLRs for verification are provided in SECTION VI LIST OF DELIVERABLES.
- (ii) Reporting and feedback to Ministry of Finance on the agreed format.

The Ministry of Finance will be the principal organization/agency responsible for creating liaison between firm and other concerned departments/agencies/organizations. Designated entities will be notified by Ministry of Finance.

IV. Description of Tasks

The main tasks of the Third-Party verification (TPV) Firm will be:

- i. Develop a detailed methodology for assessing results against each DLI, based on the verification protocol described asunder. The methodology has to be agreed with Public Financial Management Accountability for Service Delivery Programme Appraisal Document (PAD), available with the TORs, is the primary source for development of these TORs. Annex 1 of the PAD is the guiding document for any definition, interpretation, ambiguity, correction or conflict with these TORs and/or methodology as proposed later.
- ii. Assess progress made per indicator against the agreed targets' against DLI's in the year of verification and shall report to the Federal Ministry of Finance on agreed report format (submitted by the firm along with Methodology).
- iii. Submit reports to Federal Ministry of Finance in **one weeks'** time after the verification of results, in accordance with the agreed template. The report need to include: brief summaries of verification activities undertaken to check the accuracy of verified results for all DLI's along with recommended disbursement levels for each DLI; summaries of major discrepancies between gross and verified results along with short explanations for such discrepancies, and recommendations and constructively critical analysis for why achievement against specific DLI's may be above or below target with final remarks on whether the DLI has been completed or not as per the target.
- iv. Make rectifications to the report to correct errors, if any, as reported by Federal Ministry of Finance or the WB.
- v. Submit final verification report to Federal Ministry of Finance.

- vi. Maintain regular communication with the Federal Ministry of Finance through direct meetings, audio-conference, videoconference, and email regarding all aspects of the evaluation procedure, data collection, audit process, Reporting framework etc.
- vii. Any revision required in the TOR is subject to approval of Federal Ministry of Finance and World Bank.
- viii. Provide timely feedback on all detailed assignments and instructions provided by the Federal Ministry of Finance via letter, phone or email.
- ix. Provide Federal Ministry of Finance copies of its evaluation procedure work flow and its data collection methodology for review.
- x. Any changes in personnel assigned to this project, including junior consultant /evaluator/auditor, requires approval from Federal Ministry along with clear justification.
- xi. To the extent possible, seek guidance from Federal Ministry of Finance before troubleshooting any sensitive/complex problems that arise during process.
- xii. Strictly comply with all general independence, confidentiality, and professional Integrity codes.
- xiii. Seek advice from Federal Ministry of Finance when uncertain about requirements and expectations in this regard.
- xiv. Permit the Federal Ministry of Finance team or designated entities or Individuals to monitor and inspect selected components or all of the process.
- xv. Monitoring may take the form of unannounced visits to firm offices and field area.

V. Deliverables

The selected firm shall provide the following deliverables during the course of the implementation of the assignment in a timely manner. All deliverables have to be authorized and approved by the Federal Ministry of Finance. The list of deliverables includes but is not limited to the following:

1. Methodology of the verification exercise.
 - Survey questionnaires
 - Checklist for Verification of Indicators
 - Form/Instrument used for validation exercise.
 - Data entry template and coding scheme
 - Detailed activity plan for conducting the verification exercise.
 - Field data collection; field quality control methods
 - The firms should be able to provide the Scanned copies of all filled-in questionnaires
2. Analysis of the findings of the verification exercise.
3. Report (both qualitative and quantitative) on achievements/ variations and discrepancies on the DLI activities and reasons of deviations/ non- achievements of DLIs.

4. Identification of impediments (If any) in the timely achievement of the benchmarks and possible Remedial measures

VI. Specific Deliverables:

The payment to the firm shall be made against the following Specific deliverables

S.No	Deliverables	Number of Reports	Deadline (By Date) Of submission of TPV Report	Payment (% age of total Contract value)
1	Submission of Inception Report	1	Within 7 days of signing of contract	20%
2	DLR 1.1: National Assembly approves the Federal Consolidated Fund and Public Accounts (Maintenance and Operations) Act.			10%
3	DLR 1.2: Auditor General of Pakistan (AGP) in accordance with Article 170 of the Pakistan Constitution 1973, notifies a standardized expenditure control procedure for online bill submission.			10%
4	DLR 2.1: Auditor General of Pakistan (AGP) to complete <i>Special Survey</i> of Government Accounts in Commercial Banks.			10%
5	DLR 2.2: Adopt accounting framework for daily consolidation of all government cash balances as part of the Treasury Single Account (TSA).			10%
6	DLR 3.1: PPRA notifies amendment of the Public Procurement Rules 2004 (Rules 10, 19, 24, and 33)			10%
7	DLR 8.1: Notification of Fiscal Coordination Committee (FCC) by the Council for Common Interests (CCI).			10%
8	DLR 8.2: Establishment and approval of an incentive system by the FCC to improve fiscal performance and service delivery in selected areas.			10%

9	Final Report			10%
				100%

Eligible Firms:

The firm should have:

Experience of at least 10 years in monitoring, assessing and evaluating public and/or private sector health sector programme of scale

Documented experience of preparing quality report concise and succinct to allow policy and technical decisions.

Documented experience of developing M&E tools

Verifiable statistical and research expertise of at least 5 years.

Immunization experience shall be accorded due weightage.

The firm should have documented capacity to mobilize a large team of data monitors in the Project area in a timely and efficient manner.

Evaluation Criteria

Bids shall be evaluated as per Rule 36(b) “Single Stage Two Envelope Procedure” of Public Procurement Rules, 2004.

Technical Qualification

Sr. No	Requirement with copies of supporting documents	Marks
1	Experience	30
2	Presentation	40
	Total Marks	70

Weightage for technical qualification = 70%

Weightage for financial qualification = 30%

Selection Process:

Consultant will be selected in accordance with the procedures set out in the Public Procurement Rules.

ANNEXES

Annex 1: Detailed Program Description

The proposed project development objective (PDO) is *“to improve public financial management and procurement systems for better management of and accountability in service delivery for health and education sectors”*.

Description

23. **The proposed project will support the government in reducing the bottlenecks which constrain service delivery by improving the PFM/procurement systems that will allow for better management at the service delivery level.** To ensure that the expressed intent in the PFM reform strategy is effectively translated to changes in behavior throughout the entire PFM cycle, the attitudinal barriers to change towards achieving the reform program objectives will be addressed by applying the overarching principles of (i) leadership and political commitment towards change; (ii) policy space for implementing suggested reforms; and (iii) adaptive, iterative and inclusive processes. The project will enhance collaborative leadership skills and strengthen the cohesiveness and effectiveness of leadership teams (coalitions) in the context of this project. This will help provide an authorizing environment for federal-provincial reform teams.

Pillar 1: Unlocking system constraints to efficient service delivery

24. The objective is to improve budget reliability within an enhanced PFM legal framework and institute sound cash management practices to ensure predictability of funds to undertake service delivery activities in an accountable manner.

KRA 1: Strengthening the legal framework and internal management systems in line ministries and service delivery units.

25. *Improved budget reliability to enhance service deliver (DLI 1)* will be achieved through the following reform measures.

- (a) *Enactment of a robust PFM Law* - the proposed Federal Consolidated Fund and Public Accounts (Maintenance and Operations) Bill, 2017 will provide sound underpinning of the PFM practices in terms of scope; clarity of roles and responsibilities; delegation of authority; timing for specific PFM processes; deadlines for reporting obligation; clarify the authority of the legislature and the executive; and sanctions regime for financial misconduct. The necessary systems, structures and processes to operationalize the PFM Act when passed will be put in place and the New Accounting Model (NAM) will be updated to NAM 2.0 to reflect the re-engineered business processes.
- (b) *Modernizing internal audit arrangements* - the current role Chief Finance and Accounts Officer (CFAO) to conduct the Internal Audit function whilst also responsible for observance of Internal Control prescribed by the CGA needs to be separated to protect the key internal control principle of segregation of duties. A well-functioning Internal Audit would play an important monitoring role in evaluating the effectiveness of the control systems within the Government’s operations in meeting its strategic objectives.
- (c) *Introducing Integrated Service Delivery Reporting (ISDR)* - a template for ISDR will be adopted with option to enable field staff to record actual outputs/result against Key Performance Indicators (KPIs) and tag them to geo-maps. In this regard, the ISDR will

complement the OBB which has *performance plans for service delivery* to ensure that information is published annually on policy or program objectives thus setting the foundations for Program-Based Budgeting (PBB).

- (d) *PFM professionalization* - Support will be provided to the Pakistan Audit and Accounts Academy (PAAA)/ Pakistan Institute of Public Finance Accountants (PIPFA) to operate as a PFM Centre of Excellence. The *PIPFA* curriculum and learning modules will be updated to comply with the International Education Standard (IES) issued by the International Accounting Education Standards Board (IAES) but aligned with the Pakistan applicable legal frameworks. AGP will conduct a gap analysis and develop action plan for PIPFA to meet the International Federation of Accountants (IFAC) Statement of Membership Obligation (SMO).

26. *Improved cash management to ensure predictability of funds to undertake service delivery activities (DLI 2)* will be achieved through the following reform measures.

- (a) *Improving cash management through a comprehensive Treasury Single Account (TSA)* – Cash releases can be made to transaction sub-accounts in State Bank of Pakistan (SBP) without the need for physical movement of cash from the central bank to commercial banks. A Zero-Balance Account (ZBA) system can then operate whereby spending units can process payments that will be controlled by the balances in the transaction sub-accounts that are mirrored in FABS with final payment made by the ‘Treasury’ through Electronic Fund Transfer (EFT). If accounts are held in scheduled banks, they should be linked to the TSA and balances swept daily. The AGP will undertake a comprehensive Special Survey that will inform the formulation of the Cash Management Policy; scope of the TSA; and accounting framework will be developed for daily consolidation of cash balances to meet operational targets of fiscal policy, the public debt management strategy, and monetary policy. One of the benefits of improving cash management through the proposed Treasury Single Account (TSA) is that the impact on the determination of the borrowing requirements will be improved by consolidating cash balances. This will drastically reduce the proliferation of bank accounts (355,695 as at December 2016) and reduction in costs of borrowing to Government will increase fiscal space for allocation to service delivery. Also, prompt settlement of Government obligations will increase confidence in the payment system.
- (b) *Online bill submission* - the transformation from manual to online billing system would reduce the lead-time for payments to vendors. Since the DDOs will not be accessing SAP directly, they would not need a separate license for each work flow as only one SAP license that allows the portal to access SAP would be needed through *SAP Adobe Interactive Form* supplemented with electronic document management system (EDMS) to support records management.
- (c) *Improving integrity of financial information for decision-making and accountability* - the integrity of financial information will be improved with new functionality where the system corresponds directly with the bank system and exchanges data files upon the execution of transactions by the bank with capacity to make automatic postings into the accounting ledgers through the SAP Bank Communication Management (BCM) solution.

KRA 2: Improved procurement performance

27. ***Improved transparency, efficiency and competition in procurement practices for better value for money (DLI 3)*** will be achieved through the following reform measures.

- (a) *Amendment of the Public Procurement Rules 2004 (Rules 10, 19, 24, and 33)* to improve transparency and competition in the procurement process³.
- (b) *Aligning procurement plans with the approved budget* - this will be complemented by downstream processes to strengthen the value chain through seamless integration with the *Supplier Relationship Management (SRM)* module of FAB to trigger the following controls: (i) check for budget availability at point of requisitioning; (ii) commitment control at point of raising purchase order; (iii) obligations at point of receiving goods/services and supporting invoice/claim; and (iv) cash management at point of making payment with automatic general ledger postings. A *Supplier Web-portal* will enable a comprehensive set of procurement data for public disclosure. Training for mandatory certification of procurement officers and committee members will also be provided.
- (c) *Price Norm and standard definition and coding of commonly used items* - standard definition and coding of commonly used items and indicative prices (Price Norm) would be established and held in Item Master file for use during costing of plans; budget preparation; and sourcing of goods to final payment thereby and enabling procurement to deliver on cost-effectiveness demands while allowing full exploitation of electronic commerce capabilities.
- (d) *Creating opportunities for Small and medium enterprises (SMEs)* - support will be provided for examining the role of small and medium enterprises (SMEs) in public procurement, with a view to expanding their access to public contracts thereby increasing job-creation and using downstream interventions to support marginalized groups by providing preference to SMEs that are either owned by or employ such groups.

KRA 3: Payroll and pension payment systems

28. ***Improving payroll controls for sanctioned positions in primary schools and basic health units. (DLI 4)*** will be achieved through the following reforms measures.

- (a) *Improving controls for sanctioned positions* - implementation of the human resource management features of the Organizational Module (OM) of FABS will address various record gaps and provide the capability to improve manpower planning, establishment/position control and swift transition from payroll to pension database. Enforcement of establishment/position control and dashboards linking payroll and sanctioned positions will aid better management of human resources especially for health and education sectors when linked with specialized databases such as the education management information system (EMIS) and the health management information system (HMIS).

29. ***Receipt of full or partial pension (100% net pension with commutation withheld) payment to superannuating pensioners through the Direct Credit Scheme no later than the following pension payment cycle after retirement (DLI 5)*** will be achieved through the following reform measures.

³<http://www.ppra.org.pk/doc/ppruleamd.pdf>

- (a) *Expanding Direct Credit Scheme (DCS)* - while future pensioners need to be reminded about pension application requirements and completion of their respective records, the old pensioners will also be educated about DCS and how they can convert to the new system. By leveraging on the successful Benazir Income Support Program (BISP) use of technology in payment of cash grants, pensioners will be paid through Direct Credit Scheme through Financial Institutions/Payment Service Providers (PSP).
- (b) *Digitization of employee records and biometric validation of employees and pensioners*-existence of pensioners will be verified by authentication against updated/new CNIC numbers of the National Database and Registration Authority (NADRA). The paper-based proof of life could be strengthened by system-based alert from NADRA for death of a pensioner to trigger automatic conversion to Family Pension. Existing pension forms will be simplified and biometric verification for proof of life will be applied.
- (c) *Designated pension facilitation centers* -to support pensioners, welfare officers would be deputed in relevant ministries with access to a Pension Management Information System (PMIS) linked to a portal showing status of each workflow. This will provide a mechanism of easy follow-up through Short Message Service (SMS) alerts that can be both for employees expected to retire within a year for completion of record or to existing pension applicants about any issues/gaps in their applications. Facilitation centers for pensioners will reduce leakages through improved pension audit system; generated system alerts in cases where life certificate/non-marriage certificate is not received for six months will block payments. The facilitation centers will support the digitization of the employee service books.

Pillar 2: Enhancing transparency, citizen participation and accountability

KRA 4: External audit, legislative scrutiny and social accountability.

30. *Audit Management Information System (AMIS) systematically used for effective and timely follow-up on action taken by the executive or the audited entity on audit observations and PAC recommendations (DLI 6)* will be achieved through the following reform measures.

- (a) *Strengthening the technical capacity of DAGP*- deepening the use of Computer Aided Audit Techniques (CAATs) such as Audit Command Language (ACL) and Electronic Working Paper (EWP) as part of a comprehensive Audit Management Information System (AMIS); staff accreditation on application of International Standards of Supreme Audit Institutions (ISSAI⁴) will be preceded by application of *iCAT* (ISSAI Compliance Assessment Tool); and peer-to-peer learning will also be undertaken with matured SAIs.
- (b) *Social accountability through Citizen Participatory Audits (CPA)* - developing and implementing social accountability strategies, tools and guidelines for Citizen Participatory Audit (CPA). Specific measures will also consist of: (i) assessing existing challenges (participatory diagnostic) and opportunities for DAGP to leverage CSOs to increase the effectiveness of external audit; (ii) in-depth capacity building programs and technical support on how-to implement citizen engagement practices and tools around the audit cycle; and (iii) supporting the development of a “Framework for Engagement” and actionable plans for implementation. Guidelines will be issued for use in selecting suitable CSOs for Citizen

⁴<http://www.issai.org/>

Participatory Audit (CPA) and memorandum of understanding (MoU) will be signed with the DAGP.

31. ***DLI 7: Creating Budget Performance Observatory (BPO) for selected social sectors (DLI 7)*** will be achieved through the following reform measures.

- (a) *Open Public Finance Data (Fiscal Transparency)* - the Government of Pakistan expressed commitment⁵ to respect the Open Government Principles. Dashboards will be complemented by data-mining of key performance indicators that would be frequently updated and released to the decision makers, service delivery managers and the public through a *Budget Performance Observatory (BPO)*.
- (b) *Big Data* - combining transparency of information through the BPO with *Big Data* analytics will push the frontier of accountability by helping to track service delivery and lead to gains in efficiency and effectiveness of government policies.

Pillar 3: Federal-Province vertical PFM coordination

KRA 5: PFM innovations

32. ***Strengthen coordination between federal and provincial governments and institute an incentive system to improve fiscal performance and service delivery in selected areas (DLI 8)*** will be achieved through the following reform measures.

- (a) *Forum/Mechanism for vertical PFM coordination* - will be established for coordination and strengthening of federal-provincial fiscal relationship. The Fiscal Coordination Committee (FCC) will approve an incentive scheme to reward good fiscal performance and service delivery outcomes through Innovation Awards. A Fiscal Responsibility and Accountability Index (FRAI) or PFM Service Delivery Barometer criteria will be piloted to provide ‘untied grants’ to the provinces as part of the federal government vertical development program.
- (b) *Innovation Awards* - acceleration of innovation - the Sindh School Monitoring System ([Smart Solutions to Improve Pakistan’s Education- Video](#)) that spreads across 15 districts and to the remotest parts of the province has resulted in substantial increase in student enrollment and fake enrollments are declining. This first digital system in the education sector in Pakistan that allows transparent and effective monitoring of staff, students and school infrastructure will be leveraged upon to provide a channel for piloting accountability for non-salary budgets received at the school level. The concept once proven, will be extended to basic health units (BHU) and other service delivery units (SDU). Execution of the Awards will be monitored by MoF (financial and non-financial) and DAGP financial and performance audits will be corroborated through the citizen participatory audits.

⁵http://www.opengovpartnership.org/sites/default/files/Pakistan_LOI.png

Annex 2: Results Framework Matrix

Results Areas Supported by PforR	PDO/Outcome Indicators (Key indicators to measure the achievement of each aspect of the PDO statement)	Intermediate Results (IR) Indicators (critical processes, outputs or intermediate outcomes indicators needed to achieve each aspect of the PDO)	DLI #	Unit of Measure	Baseline (2016/17)	End Target (2020/21)
Pillar 1: Unlocking system constraints to service delivery	<u>PDO Indicator 1</u> Reduced per cent variance in functional expenditure composition for health and education.		1	%	25	5
		IR Indicator 1.1: Notification of revised New Accounting Model (NAM 2.0): Accounting Policies and Procedures Manual (APPM); Chart of Accounts (CoA); and Government Financial Rules (GFR).	NA	Yes/No	No	Yes
		IR Indicator 1.2: Internal Audit arrangements modernized in health and education departments.	NA	Number	0	2
		IR Indicator 1.3: Percent variance in expenditure composition by <i>economic classification</i> for health and education budget to no more than 5 per cent.	NA	%	15	5
		IR Indicator 1.4: Improve the timeliness and accuracy of comprehensive financial and non-financial reporting by extending FABS to Departmentalized Accounts (SAEs) and establish interface with SBP, NBP, FBR, CDNS, EAD, PPOD and Pakistan Railways.	NA	Months	6	2
	<u>PDO Indicator 2</u> All government bank accounts are consolidated daily.		NA	Days	30	1
		IR Indicator 2.1: Approve Cash Management Policy and establish structures and procedures for cash planning to inform releases.		Yes/No	No	Yes
		IR Indicator 2.2: Bank reconciliation for all active government bank accounts in the TSA takes place at least weekly at aggregate and detailed levels.	NA	Weeks	8	1
		IR Indicator 2.3: Percent of <i>payments</i> and <i>revenue collection</i> processed through Electronic Funds Transfer (EFT) via Pakistan Real-time Intern-bank Settlement Mechanism (PRISM).	NA	%	0	80
	<u>PDO Indicator 3</u> Improved transparency, efficiency and competition in procurement practices for better value for money.		3	%	0	75
		IR Indicator 3.1: Percent of budget derived from procurement plans in federal ministries and provincial departments.	NA	%	0	90
		IR Indicator 3.2: Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts for targeted entities.	NA	%	0	75

		IR Indictor 3.3: Supplier Relations Management Module (SRM) operational in in three selected procuring entities and Supplier Web-portal established.	NA	Yes/No	No	Yes
		IR Indictor 3.4: Mandatory certification of procurement officers and procurement committee members in selected federal ministries and provincial departments.	NA	Number	0	80%
Pillar 2: Enhancing transparency, citizen participation and accountability	<u>PDO Indicator 4</u> Audit Management Information System (AMIS) systematically used for effective and timely follow-up on action taken by the executive or the audited entity on audit observations and Public Accounts Committee (PAC) recommendations.		6	Amount	Pkr100bn	Pkr110bn
		IR Indictor 4.1: PAC hearings on audit report on annual financial statements conducted in public except for strictly limited circumstances such as discussions related to national security or similar sensitive discussions within six months of financial year-end issues recommendations on actions to be implemented by the executive and systematically follows up on their implementation.	NA	Months	36	6
		IR Indictor 4.2: Financial transactions of health and education function recorded in FABS audited through Computer Aided Audit Techniques (CAATs), using risk based methods.	NA	%	0	80
		IR Indictor 4.3: Citizen Portal set up to facilitate Citizen Participatory Audits including fraud hotline for feedback on performance of auditors in addition to fraud information.	NA	Yes/No	No	Yes
		IR Indictor 4.4: Citizen Participatory Audit reports that cover indicators in the ISDR published.	NA	Number	0	8
Pillar 3: Federal-Province vertical PFM coordination	<u>PDO Indicator 5</u> Percentage of fiscal performance and service delivery indicators met.		NA			
		IR Indictor 5.1: Incentive system by the FCC to improve fiscal performance and service delivery in selected areas approved.	NA	Yes/No	No	Yes
		IR Indictor 5.2: Innovative applications used to report and account for funds utilized.	NA	Number	0	4

Indicator Description

Indicator Name (#)	Description (Clear definition etc.)	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
PDO Indicator 1	Measures the difference between the original approved budget and end-of-year outturn in functional expenditure composition for health and education.	Annual	FABS	Outturn reports generated from the FABS.	CGA	IVA	No
IR Indicator 1.1	The revised New Accounting Model (NAM 2.0): Accounting Policies and Procedures Manual (APPM); Chart of Accounts (CoA); and Government Financial Rules (GFR) to reflect the re-engineered business processes.	Annual	NAM 2.0	Notification of updated NAM 2.0	AGP	IVA	NA
IR Indicator 1.2	Internal Audit arrangements modernized in health and education departments to adopt risk-based audit methods concentrating on systemic issues with the objectives of ensuring (i) conformity to the Government's strategy; (ii) effectiveness and efficiency of operations; (iii) reliability of financial reporting; and (iv) compliance with applicable laws and regulations.	Annual	New System of Financial Control and Budgeting	Internal audit reports	CGA	IVA	NA
IR Indicator 1.3	Measures the difference between the original approved budget and end-of-year outturn in expenditure composition by <i>economic classification</i> for health and education budget to no more than 5 per cent.	Annual	FABS	Outturn reports generated from the FABS.	FD	IVA	NA
IR Indicator 1.4	Improve the timeliness and accuracy of comprehensive financial and non-financial reporting by extending FABS to Departmentalized Accounts (SAEs) and establish interface with SBP, NBP, FBR, CDNS, EAD, PPOD and Pakistan Railways.	Annual	FABS	Notification	CGA	IVA	NA
PDO Indicator 2	All government bank accounts are consolidated daily.	Annual	FABS	PEFA PI 21.1 - bank reconciliation reports from FABS.	FD	IVA	No
IR Indicator 2.1	Approve Cash Management Policy and establish structures and procedures for cash planning to inform releases.	Annual	FABS	Cash Management Policy Document	FD	IVA	NA
IR Indicator 2.2	Bank reconciliation for all active government bank accounts in the TSA takes place at least weekly at aggregate and detailed levels.	Annual	FABS	bank reconciliation reports from FABS	CGA	IVA	NA
IR Indicator 2.3	Payments and revenue collection processed through Electronic Funds Transfer (EFT) via Pakistan Real-time Intern-bank	Annual	FABS	Reports generated from the FABS.	CGA	IVA	NA

	Settlement Mechanism (PRISM).						
PDO Indicator 3	Improved transparency, efficiency and competition in procurement practices for better value for money.	Annual	E-procurement	Reports generated from the e-procurement.	F-PPRA and P-PPRA	IVA	No
IR Indictor 3.1	Percent of budget derived from procurement plans in federal ministries and provincial departments.	Annual	FABS	Reports generated from the FABS.	F-PPRA and P-PPRA	IVA	NA
IR Indictor 3.2	Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts for targeted entities. The data are accurate and complete for most (75 per cent by value) procurement methods for goods, services and works.	Annual	FABS	Reports generated from the e-procurement.	F-PPRA and P-PPRA	IVA	NA
IR Indictor 3.3	Supplier Relations Management Module (SRM) operational in in three selected procuring entities and Supplier Web-portal established.	Annual	FABS	Reports generated from the FABS.	CGA	IVA	NA
IR Indictor 3.4	Mandatory certification of procurement officers and procurement committee members in selected federal ministries and provincial departments.	Annual	Training report	Training report	F-PPRA and P-PPRA	IVA	NA
PDO Indicator 4	A system for tracking recommendations exists and it is used to record recommendations and to record action or lack of action taken on recommendations, and where for every recommendation, the executive and the legislature is notified during subsequent hearings whether recommendations have or have not been implemented.	Annual	AGP Annual Report	AGP Annual Report (PEFA 30.3)	AGP	IVA	No
IR Indictor 4.1	Assesses the extent to which the legislature issues recommendations and follows up on their implementation. The responsible committee may recommend actions and sanctions to be implemented by the executive, in addition to adopting the recommendations made by the external auditors, refer to PI-30, and would be expected to have a follow-up system to ensure that such recommendations are appropriately considered by the executive.	Annual	AGP Annual Audit Plan	AGP Annual Report (PEFA 31.3)	AGP	IVA	NA
IR Indictor 4.2	Financial transactions of health and education function recorded in FABS audited using risk based methods through Computer Aided Audit Techniques (CAATs), such as Audit Command Language (ACL) and Electronic Working Paper (EWP).	Annual	AGP Annual Report	AGP Annual Report	AGP	IVA	NA
IR Indictor 4.3	Citizen Portal set up to facilitate Citizen Participatory Audits including fraud hotline for feedback on performance of auditors in addition to fraud information.	Annual	AGP Annual Report	AGP Annual Report	AGP	IVA	NA
IR Indictor 4.4	Citizen Participatory Audit reports that cover indicators in the ISDR published.	Annual	AGP Annual Report	AGP Annual Report	AGP	IVA	NA
PDO Indicator 5	Percentage of fiscal performance and service delivery indicators met.	Annual	CCI Report	CCI Report	FD	IVA	Yes
IR Indictor 5.1	Incentive system by the FCC to improve fiscal performance and service delivery in selected areas approved.	Annual	CCI Report	CCI Report	FD	IVA	NA

IR Indictor 5.2	Innovative application used to report and account for funds utilized.	Annual	CCI Report	CCI Report	FD	IVA	NA
-----------------	---	--------	------------	------------	----	-----	----

Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols
PROGRAM-FOR-RESULTS
PUBLIC FINANCIAL MANAGEMENT AND ACCOUNTABILITY TO SUPPORT SERVICE DELIVERY
Disbursement-Linked Indicator Matrix

	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement			
				FY2017/18	FY2018/19	FY2019/20	FY2020/21
DLI 1 Improved budget reliability to enhance service delivery.			Public Expenditure and Financial Accountability (PEFA) 2.1 and 2.2	DLR 1.1: National Assembly approves the Federal Consolidated Fund and Public Accounts (Maintenance and Operations) Act. <i>(prior result)</i> DLR 1.2: Auditor General of Pakistan (AGP) in accordance with Article 170 of the Pakistan Constitution 1973, notifies a standardized expenditure control procedure for online bill submission. <i>(prior result)</i>	DLR 1.3: Less than 10 per cent variance in functional expenditure composition for health and education.	DLR 1.4: Less than 10 per cent variance in functional expenditure composition for health and education.	DLR 1.5: Less than 5 per cent variance in functional expenditure composition for health and education.
Allocated amount (\$):	70	18%		30	20	10	10
DLI 2 Improved cash management to ensure predictability of funds to undertake service delivery activities.			Fiscal discrepancy is 4 per cent GDP	DLR 2.1: Auditor General of Pakistan (AGP) to complete <i>Special Survey</i> of Government Accounts in Commercial Banks. <i>(prior result)</i> DLR 2.2: Adopt accounting framework for daily consolidation of all government cash balances as part of the Treasury Single Account (TSA). <i>(prior result)</i>	DLR 2.3: 20 per cent of vendor claims for basic health units and schools paid at Accounting Offices within five days of online bill submission by Drawing and Disbursing Officer (DDO).	DLR 2.4: 50 per cent of vendor claims for basic health units and schools paid at Accounting Offices within five days of online bill submission by Drawing and Disbursing Officer (DDO).	DLR 2.5: 90 per cent of vendor claims for basic health units and schools paid at Accounting Offices within five days of online bill submission by Drawing and Disbursing Officer (DDO).

Allocated amount (\$):	70	18%		20	20	20	10
DLI 3 Improved transparency, efficiency and competition in procurement practices for better value for money in selected federal ministries and provincial departments.			PPRA to establish baseline data based on selected MAPI indicators by March 2018.	DLR 3.1: PPRA notifies amendment of the Public Procurement Rules 2004 (Rules 10, 19, 24, and 33) <i>(prior result)</i>	DLR 3.2: Notification of Standard Bidding Documents (SBD) for goods and Request for Proposal (RFP) for consultancy services and contracts for specialized procurements, e.g. ICT, Pharmaceuticals, Framework Contracts.	DLR 3.3: 50 per cent of targeted procurement packages (thresholds TBA) processed through e-procurement for five selected procuring entities.	DLR 3.4: 90 per cent of targeted procurement packages (thresholds TBA) processed through e-procurement for additional five selected procuring entities.
Allocated amount (\$):	50	13%		20	10	10	10
DLI 4 Improving payroll controls for sanctioned positions in primary schools and basic health units.			Sanction positions in OM not linked to EMIS and HMIS.	DLR 4.1: 20 per cent of three critical civil service positions for first-level and second-level health care facilities filled per selected district. DLR 4.2: 20 per cent of teachers in post per selected district.	DLR 4.3: 40 per cent of three critical civil service positions for first-level and second-level health care facilities filled per selected district. DLR 4.4: 40 per cent of teachers in post per selected district.	DLR 4.5: 60 per cent of three critical civil service positions for first-level and second-level health care facilities filled per selected district. DLR 4.6: 60 per cent of teachers in post per selected district.	DLR 4.7: 80 per cent of three critical civil service positions for first-level and second-level health care facilities filled per selected district. DLR 4.8: 80 per cent of teachers in post per selected district.
Allocated amount (\$):	30	8%		10	10	5	5
DLI 5 Receipt of full or partial pension (100% net pension with commutation withheld) payment to superannuating pensioners through the Direct Credit Scheme no later than the following pension payment cycle after retirement.			DCS 35% Lump sum (gratuity) 0 %	DLR 5.1: 50% 20%	DLR 5.2: 70% 40%	DLR 5.3: 80% 80%	DLR 5.4: 100% 90%
Allocated amount (\$):	30	8%		10	10	5	5
DLI 6 Audit Management Information System (AMIS) systematically used for effective and timely follow-up on action taken by the executive or the audited entity on audit observations and PAC recommendations.			'As-is' and 'to-be' business process done. Pkr100 billion	DLR 6.1: AMIS Competency Wing established and audit and PAC staff trained.	DLR 6.2: 40 per cent of PAC recommendations effectively followed-up and reports published on an official website or by any other means easily accessible to the public.	DLR 6.3: 60 per cent of PAC recommendations effectively followed-up and reports published on an official website or by any other means easily accessible to the public.	DLR 6.4: 80 per cent of PAC recommendations effectively followed-up and reports published on an official website or by any other means easily accessible to the public.
Allocated amount (\$):	40	10%		10	10	10	10

DLI 7 Budget Performance Observatory (BPO) created for selected social sectors.			BER by economic classification in .pdf format.	DLR 7.1: Submission of Open Government Partnership National Action Plan that includes <i>Fiscal Transparency</i> theme. <i>(prior-achievement)</i>	DLR 7.2: Integrated Service Delivery Report (ISDR) for education sector uploaded in <i>Open Public Finance Data Portal</i> .	DLR 7.3: Integrated Service Delivery Report (ISDR) for education and health sectors uploaded in <i>Open Public Finance Data Portal</i> .	DLR 7.4: Integrated Service Delivery Report (ISDR) for education, health, water and sanitation sectors uploaded in <i>Open Public Finance Data Portal</i> .
Allocated amount (\$):	30	8%		10	10	5	5
DLI 8 Strengthen coordination between federal and provincial governments and institute an incentive system to improve fiscal performance and service delivery in selected areas.			Weak Federal-Province intergovernmental fiscal coordination.	DLR 8.1: Notification of Fiscal Coordination Committee (FCC) by the Council for Common Interests (CCI). <i>(prior-achievement)</i> DLR 8.2: Establishment and approval of an incentive system by the FCC to improve fiscal performance and service delivery in selected areas.	DLR 8.3: Innovation award for 20 per cent of fiscal performance and service delivery indicators met.	DLR 8.4: Innovation award for 50 per cent of fiscal performance and service delivery indicators met.	DLR 8.5: Innovation award for 75 per cent of fiscal performance and service delivery indicators met.
Allocated amount (\$):	80	20%		20	20	20	20
Total Financing Allocated:	400	100%		130	110	85	75

DLI Verification Protocol Table

#	DLI	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
1.	Improved budget reliability to enhance service delivery.	Year 1 (i) National Assembly approves the Public Financial Management and Accountability Act; and (ii) Auditor General of Pakistan (AGP) in accordance with Article 170 of the Pakistan Constitution 1973, notifies a standardized expenditure control procedure for online bill submission.	Yes	PFM Law. AGP Notification	IVA	(i) Review of the PFM Law and ascertain comprehensiveness of the PFM cycle from fiscal planning; budget preparation and execution; fiscal risk management; cash management and banking arrangements; internal controls and internal audit; accounting and reporting; external audit and accountability to the public for service delivery. (ii) Review of AGP Notification and verify clarity of procedures for online bill submission.
		Year 2 Less than 10 per cent variance in expenditure composition by program, administrative or functional classification.	No	Reports from FABS showing originally approved budget and actual expenditure composition by program, administrative or functional classification.	IVA	Review of the FABS report and calculate variance using PEFA 2.2 methodology by program, administrative or functional classification.
		Year 3 Less than 5 per cent variance in expenditure composition by program or functional classification.	No	Reports from FABS showing originally approved budget and actual expenditure composition by program or functional classification.	IVA	Review of the FABS report and calculate variance using PEFA 2.2 methodology by program or functional classification.
		Year 4 Less than 5 per cent variance in expenditure composition by program classification.	No	Reports from FABS showing originally approved budget and actual expenditure composition by program classification.	IVA	Review of the FABS report and calculate variance using PEFA 2.2 methodology by program classification.
2.	Improved cash management to ensure predictability of funds to undertake service delivery activities.	Year 1 (i) Auditor General Pakistan (AGP) to complete <i>Special Survey</i> of Government Accounts in Schedule Banks; and (ii) adopt accounting framework for daily consolidation of all government cash balances as part of the Treasury Single Account (TSA).	No	AGP Special Survey report on Government bank accounts.	IVA	Review of the AGP Special Survey report on Government bank accounts held in SBP and scheduled/commercial banks and verify adequacy of coverage including accounts held by line ministries/divisions/agencies; public sector enterprises, autonomous and semi-autonomous agencies, Assignment Accounts, Revolving Fund Accounts, and Personal Ledger Accounts; and Public Accounts.

		<i>(prior-achievement)</i>		CGA Accounting Framework for consolidation of cash balances from various funding sources.		Review of cash ledger in FABS and verify fiscal reports to ascertain consolidation of cash balances with the approved Treasury Single Account (TSA) structure.
		Year 2 20 per cent of vendor claims for basic health units and schools paid at Accounting Offices within five days of online bill submission by Drawing and Disbursing Officer (DDO).	No	Approved Cash Management Policy FD	IVA	Review of Cash Management Policy to verify that suitable structures and procedures are in place for daily consolidation of cash balances; cash planning; and timely release of funds.
		Year 3 50 per cent of vendor claims for basic health units and schools paid at Accounting Offices within five days of online bill submission by Drawing and Disbursing Officer (DDO).	No	EFT instructions CGA	IVA	Review of the FABS payment listing and EFT instructions issued to National Bank of Pakistan (NBP) ascertain direct payment to beneficiary's bank account.
		Year 4 90 per cent of vendor claims for basic health units and schools paid at Accounting Offices within five days of online bill submission by Drawing and Disbursing Officer (DDO).	No	EFT instructions CGA	IVA	Review of the FABS payment listing and EFT instructions issued to National Bank of Pakistan (NBP) ascertain direct payment to beneficiary's bank account.
3.	Improved transparency, efficiency and competition in procurement practices for better value for money in selected federal ministries and provincial departments.	Year 1 PPRA notifies amendment of the Public Procurement Rules 2004 (Rules 10, 19, 24, and 33) <i>(prior-achievement)</i>	No	PPRA Notification	IVA	Review of the Notification to ascertain that amendment to the Public Procurement Rules 2004 (Rules 10, 19, 24, 33 and 42) meet transparency and fair competition requirements.
		Year 2 Notification of Standard Bidding Documents (SBD) for goods and Request for Proposal (RFP) for consultancy services and contracts for specialized procurements, e.g. ICT, Pharmaceuticals, Framework Contracts.	No	PPRA Notification	IVA	Review of the notified Standard Bidding Documents (SBD) for goods and Request for Proposal (RFP).
		Year 3 50 per cent of targeted procurement packages (thresholds TBA) processed through e-procurement for five selected procuring entities.	Yes	Procurement plans and reports from e-procurement system. PPRAs	IVA	Review of procurement plans and transaction reports from e-procurement system and verify end-to-end use of e-procurement which requires linkage to approved budget, purchase requisition, online advert, evaluation, publication of award and last mile payment through the accounting system.

						<p>Federal – (i) Water and Power Development Agency (WAPDA); (ii) National Highway Authority; (iii) Railway; (iv) Postal; and (v) MoCAD.</p> <p>Provinces – (i) Works & Services; (ii) Health, (iii) Education; (iv) Irrigation; (v) Local Government.</p>
		<p>Year 4 90 per cent of targeted procurement packages (thresholds TBA) processed through e-procurement for additional five selected procuring entities.</p>	Yes	<p>Procurement plans and reports from e-procurement system.</p> <p>PPRAs</p>	IVA	<p>Review of procurement plans and transaction reports from e-procurement system and verify end-to-end use of e-procurement which requires linkage to approved budget, purchase requisition, online advert, evaluation, publication of award and last mile payment through the accounting system.</p> <p>Federal – (i) Water and Power Development Agency (WAPDA); (ii) National Highway Authority; (iii) Railway; (iv) Postal;</p> <p>Provinces – (i) Works & Services; (ii) Health, (iii) Education; (iv) Irrigation; (v) Local Government.</p>
4.	Improving payroll controls for sanctioned positions in primary schools and basic health units.	<p>Year 1 20 % of three critical civil service positions for first-level and second-level health care facilities filled per selected district; and (ii) 20 % of teachers in post per selected district.</p>	Yes	<p>Organization Management module CGA</p>	IVA	<p>Scalable in proportion of percentage achievement.</p> <p>Review of extracts from Organization Management module to ascertain linkage of payroll and sanctioned positions.</p>
		<p>Year 2 40 % of three critical civil service positions for first-level and second-level health care facilities filled per selected district; and (ii) 40 % of teachers in post per selected district.</p>	Yes	<p>Organization Management module CGA</p>	IVA	<p>Scalable in proportion of percentage achievement.</p> <p>Review of extracts from Organization Management module to ascertain linkage of payroll and sanctioned positions.</p>
		<p>Year 3 60 % of three critical civil service positions for first-level and second-level health care facilities filled per selected district; and (ii) 60 % of teachers in post per selected district.</p>	Yes	<p>Organization Management module CGA</p>	IVA	<p>Scalable in proportion of percentage achievement.</p> <p>Review of extracts from Organization Management module to ascertain linkage of payroll and sanctioned positions.</p>
		<p>Year 4 80 % of three critical civil service positions for first-level and second-level health care facilities filled per selected district; and (ii) 80 % of teachers in post per selected district.</p>	Yes	<p>Organization Management module CGA</p>	IVA	<p>Scalable in proportion of percentage achievement.</p> <p>Review of extracts from Organization Management module to ascertain linkage of payroll and sanctioned positions.</p>
5.	Receipt of full or partial	Year 1	Yes	Extracts from payroll and	IVA	Scalable in proportion of percentage achievement.

	pension (100% net pension with commutation withheld) payment to superannuating pensioners through the Direct Credit Scheme no later than the following pension payment cycle after retirement.	DCS 50%		pension systems CGA.		Review of employee records in HR/Payroll database.	
		Lump sum 20%					
		Year 2	DCS 70%	Yes	Extracts from payroll and pension systems CGA.	IVA	Scalable in proportion of percentage achievement. Review of employee records in HR/Payroll database.
		Year 3	DCS 80%	Yes	Extracts from payroll and pension systems CGA.	IVA	Scalable in proportion of percentage achievement. Review of employee records in HR/Payroll database.
		Year 4	DCS 100%	Yes	Extracts from payroll and pension systems CGA.	IVA	Scalable in proportion of percentage achievement. Review of employee records in HR/Payroll database.
		Lump sum 90%					
6.	AMIS systematically used for effective and timely follow-up on action taken by the executive or the audited entity on audit observations and PAC recommendations.	Year 1 AMIS Competency Wing established and audit and PAC staff trained.	No	AMIS implementation plan. AGP	IVA	Review of AMIS implementation and training plan.	
		Year 2 40 per cent of PAC recommendations effectively followed-up and reports published on an official website or by any other means easily accessible to the public.	Yes	DAGP Annual Audit report AGP	IVA	Scalable in proportion of percentage achievement. Review of DAGP Annual Audit Report to verify evidence of effective follow up of the audit findings includes the issuance by the executive or audited entity of a formal written response to the audit findings indicating how these will be or already have been addressed, for example, a management letter. Reports on follow-up may provide evidence of implementation by summing up the extent to which the audited entities have cleared audit queries and implemented audit recommendations or observations.	
		Year 3 60 per cent of PAC recommendations effectively followed-up and reports published on an official website or by any other means easily accessible to the public.	Yes	DAGP Annual Audit report AGP	IVA	Scalable in proportion of percentage achievement. Same as above.	
		Year 4 80 per cent of PAC recommendations effectively followed-up and reports	Yes	DAGP Annual Audit report AGP	IVA	Scalable in proportion of percentage achievement.	

		published on an official website or by any other means easily accessible to the public.				Same as above.
7.	Budget Performance Observatory (BPO) created for selected social sectors.	Year 1 Submission of Open Government Partnership National Action Plan that includes <i>Fiscal Transparency</i> theme. (prior-achievement)	No	Open Government Partnership National Action Plan	IVA	Review and verify that the OGP National Action Plan includes Fiscal Transparency theme embracing open data – “data that can be freely used, re-used and redistributed”.
		Year 2 Integrated Service Delivery Report (ISDR) for education sector uploaded in <i>Open Public Finance Data Portal</i> .	No	Integrated Service Delivery Reports (ISDR). MIS Directorate	IVA	Review and verify use of the Integrated Service Delivery Reporting (ISDR) for budget monitoring and accountability. At the minimum, budget execution reports should show spending against budget - department-wise, scheme-wise, sector/sub-sector-wise, and fund-wise.
		Year 3 Integrated Service Delivery Report (ISDR) for education and health sectors uploaded in <i>Open Public Finance Data Portal</i> .	No	Service delivery unit Integrated Service Delivery Report. MIS Directorate	IVA	Review and verify display of the reports at departmental level and service delivery units. At the minimum budget execution reports should show spending against budget - department-wise, scheme-wise, sector/sub-sector-wise, and fund-wise.
		Year 4 Integrated Service Delivery Report (ISDR) for education, health, water and sanitation sectors uploaded in <i>Open Public Finance Data Portal</i> .	No	Open Public Finance Data portal FD	IVA	Review and verify that publication of the reports meet the Open Government Data principles. At the minimum budget execution reports should show spending against budget - department-wise, scheme-wise, sector/sub-sector-wise, and fund-wise.
8.	Strengthen coordination between federal and provincial governments and institute an incentive system to improve fiscal performance and service delivery in selected areas.	Year 1 (i) Notification of Fiscal Coordination Committee (FCC) by the Council for Common Interests (CCI) (prior-achievement) (ii) Establishment and approval of an incentive system by the FCC to improve fiscal performance and service delivery in selected areas.	No	FD report	IVA	Review of FCC Notification issued by the CCI.
		Year 2 Innovation award for 20 per cent of fiscal performance and service delivery indicators met.	No	FD report	IVA	Scalable in proportion of percentage achievement. Review and verification of attainment of Fiscal Responsibility and Accountability Index (FRAI) or Service Delivery Barometer to determine the level of innovation award.
		Year 3 Innovation award for 50 per cent of fiscal performance and service delivery indicators met.	No	FD report	IVA	Scalable in proportion of percentage achievement. Review and verification of attainment of Fiscal Responsibility and Accountability Index (FRAI) or Service Delivery Barometer to determine the level of innovation award.

		<u>Year 4</u> Innovation award for 75 per cent of fiscal performance and service delivery indicators met.	No	FD report	IVA	Scalable in proportion of percentage achievement. Review and verification of attainment of Fiscal Responsibility and Accountability Index (FRAI) or Service Delivery Barometer to determine the level of innovation award.
--	--	---	----	-----------	-----	--

