Punjab Public Management Reform (PPMR) Program
Integrated Fiduciary Assessment

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BACKGROUND AND THE PROGRAM’S INSTITUTIONAL ARRANGEMENTS

Program Description

1. The Government of the Punjab (GoPb) is developing a five-year Punjab Governance Reform program for the period 2013–18, which aims to improve access to and the quality of services delivered to citizens. The program\(^1\) is structured along nine thematic areas (see figure 1) and various interventions have been planned against each theme.

Figure 1: Themes of Punjab Governance Reform Program

2. The World Bank will provide funding to finance four of the nine themes, and the Bank-financed Punjab Public Management Reform Program (PPMRP or “the Program”) will be a subset of the whole program. PPMRP will cover the following three result areas, which represent a feasible and focused means to support the GoPb’s two overarching aims of improving service delivery and increasing fiscal space:

   (a) Transparency and access to information

   (b) Performance monitoring and feedback loops

   (c) Resource management

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\(^1\)“Program” refers to the Bank-supported Punjab Public Management Reform Program whereas “program” refers to the Government Governance Roadmap.
3. Table 1 summarizes the key interventions planned under each of the four themes.

### Table 1: Proposed Interventions under PPMRP

<table>
<thead>
<tr>
<th>Theme</th>
<th>Planned activities/interventions</th>
<th>Implementing entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency and access to information</td>
<td>Proactive disclosure of official information in user-friendly formats; establishment of automated records management systems within key departments; and geo-mapping and publication of online provincial, district, and tehsil development projects</td>
<td>PRMP to lead implementation at key service delivery departments</td>
</tr>
<tr>
<td>Performance monitoring</td>
<td>Development and implementation of smartphone-enabled, evidence-based performance management systems in key service delivery departments</td>
<td>PITB to lead implementation at key service delivery departments</td>
</tr>
<tr>
<td>Resource management</td>
<td>Development of a digital database of property records and implementation of revised ICT-based business processes for improved tax collection Development and implementation of procurement performance management system; development of a procurement roadmap and implementation (including filling in documentation gaps, e-procurement strategy, and training strategy)</td>
<td>DG E&amp;T to lead implementation</td>
</tr>
</tbody>
</table>

**Implementing Agencies**

4. The Program has four implementing agencies that are responsible for implementing the identified interventions. The systems developed and strengthened by the interventions initiated by these agencies will be used by many other GoPb departments. The four implementing agencies covered by this Integrated Fiduciary Assessment are described below.

*Punjab Information Technology Board (PITB)*

5. PITB was set up by GoPb through an ordinance in 1999 as an autonomous body responsible for developing and implementing strategies to help the province achieve its information technology (IT) potential. PITB is a corporate body under the Planning and Development Board and has perpetual succession and a common seal with powers to acquire, hold, and dispose of property.

*Directorate General Excise and Taxation (DG E&T)*

6. DG E&T is attached to the Excise and Taxation Department (E&TD) and administers the urban immoveable property tax, motor vehicle taxes, professional tax, and other taxes and duties. Apart from providing services for the collection of various taxes and duties, it suggests ways and means to mobilize additional resources in the province. The department has a complex management structure where district excise and taxation officers responsible for tax collection report functionally to DG E&T; for financial resources, however, they are dependent on district budgets.
Punjab Resource Management Program (PRMP)

7. PRMP was initiated by the GoPb with the assistance of the Asian Development Bank as a comprehensive reform package with the aim of strengthening provincial finances, institutional development, and incentive mechanisms for public service delivery. PRMP is attached to the Planning and Development Board.

Public Procurement Regulatory Authority (PPRA)

8. PPRA (Punjab) is an autonomous body under the Services and General Administration Department and was formed under the Public Procurement Regulatory Authority Act 2009. PPRA is the custodian of the Public Procurement Rules (PPR), and is responsible for developing standard bidding documents (SBDs), prescribing regulations and procedures for public procurements, monitoring procurement by public sector agencies or organizations, developing performance indicators, recommending amendments to procurement laws and rules, training, and framing professional development policies for public procurement.

Program Financing and Expenditure Framework

9. The Program has four implementing agencies: PRMP (also the executing agency), PITB, PPRA, and E&TD. These four agencies will be responsible for the financial management and procurement related to Program interventions.

10. Funding for the Program will be provided through GoPb’s annual budget and Program funds will flow through the treasury system. GoPb’s expenditure framework for the overall governance roadmap estimates that a total program expenditure of PRs 40 billion will be required over the next five years to implement the program. The government’s program document (Governance Roadmap) and expenditure provides clarity regarding the specific Program expenditure to be incurred by the implementing agencies.

11. International Development Association (IDA) resources under the proposed operation will be part of GoPb’s annual budget. The Bank’s operation will provide support through budget line items that are accounted towards the PPMRP. The total budget for the Bank’s financed Program over the next five years is PRs 7 billion, including new initiatives amounting to PRs 4.5 billion that are not yet included in GoPb’s budget. Although the implementing agencies have initiated the planning process, a detailed implementation plan and cost estimates for the new initiatives have not yet been finalized. These new initiatives are the primary activities that will be implemented under PPMRP and will need to be a part of GoPb’s budget.

Budgeting and Planning

12. The budgeting of the Program expenditure will constitute part of the government budgeting process. The funds for the Program will be appropriated from both current and development sides of the provincial budget.

13. Government of the Punjab (GoPb) has a well-defined budgeting process and reforms are underway to introduce modern practices in financial planning and budgeting. GoPb is implementing a Medium Term Fiscal Framework (MTFF) and a Medium Term Budgetary Framework (MTBF).
However, these reforms have not been institutionalized across the government or implementing agencies. Although the MTBF has been introduced, presently, the current and development budgets remain separate streams. The MTBF/MTDF has not been extended to PPRA, PRMP and PITB as these agencies/projects are attached to the administrative departments. Though the government has the fiscal space available to implement the Program, it is not a part of government’s MTFF.

14. The budget credibility of the implementing agencies is quite low. For the last three financial years, the deviation of aggregate expenditure out-turn compared to the budget has been even higher than the provincial average reported by the recent PEFA Assessment. However, the deviation in the composition of expenditure out-turn compared to the approved budget mirrors the provincial average. The following table compares the expenditure out-turn variances of the implementing agencies with the provincial average.

<table>
<thead>
<tr>
<th>PEFA indicator</th>
<th>Provincial level as per PEFA 2012</th>
<th>Implementing agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI-1 Aggregate expenditure out-turn compared to original approved budget</td>
<td>3.45% to 12.52%</td>
<td>13% to 34%</td>
</tr>
<tr>
<td>PI-2 Composition of expenditure out-turn compared to original approved budget</td>
<td>14.9% to 26.9%</td>
<td>15% to 26%</td>
</tr>
</tbody>
</table>

15. Limited planning by the implementing agencies where policy objectives are not linked with budget estimates is a major reason for the higher expenditure out-turns variance. For PPMR Program, the implementing agencies have initiated the planning process but the detailed implementation plan and cost estimates have not yet been finalized. The PC-1 of PRMP has however been approved. This may lead to lower budget utilization, which could impact the achievement of Program’s outcomes. It is imperative for the Program’s success that the implementing agencies finalize and obtain approved implementation plans before the close of the current financial year.

16. Although a requirement under the Punjab Public Procurement Rules, 2009 (Rule 8), the implementing agencies do not prepare procurement plans. However, for development projects, details of the items to be procured and estimated costs are included in the PCI (project approval document). The four implementing agencies have agreed to prepare an annual procurement plan of all the relevant activities as soon as their respective PC-Is for Program-related activities are approved.

17. The four implementing agencies have identified their budget requirements for the Program and are preparing the program procurement plan. It is envisaged that the Program procurements will include IT goods, consultancies, and non-consultancy services. PRMP has identified consultancy contract(s) for third-party validation of DLIs and results (US$700,000), small office equipment, and IT goods. The total Program requirement of PPRA is about US$1 million, which will include consultancies covering the development of an MIS system for M&E, assistance in filling up the documentation gaps (finalizing the SBDs and developing implementation regulations, etc.), developing strategies for training (TNA and curricula), and an e-procurement implementation plan. The E&T Department is envisages hiring of services as well as IT procurements. E&TD as an option is also considering hiring Urban Unit (UU) under single source selection (SSS) to conduct the UIPT survey, process design, development, and analysis. In which case, UU will be required to use the PPRA rules for procurement of goods and services. The contract cost of UU for their services shall remain within US$5 m. Consultancies for PITB are also envisaged to be within US$2.5 million.

18. The procurement of consultancy and non-consultancy services, and small goods shall be done by the four implementing agencies. Given the technical capacity of PITB, the IT goods of all the four agencies will be procured by PITB. Each IT goods contract is not expected to exceed US$ 3 million.
Funds Flow

19. The Government of Punjab will provide funding for the Program to the four implementing agencies either through lapsable Special Drawing Account (SDA) or Assignment Account. At present, three implementing agencies (PITB, PPRA & PRMP) operate lapsable SDAs or Assignment Accounts for which they have cheque - issuing authority, while payments of the E&T Department are processed through the Accountant General.

20. The Government of Punjab transacts its business through a single treasury account. The Finance Department provides reliable information on commitment ceilings to the spending units through periodic releases of funds; however, spending units cannot initiate the procurement process until funds are released. This sometimes results in on-utilization of budget amounts if the procurement process could not be completed before the close of the financial year.

Fiduciary Capacity

21. The implementing agencies have sufficient sanctioned positions for financial management staff to manage the existing workload, but there are a few vacant positions in the financial management unit of PITB and PPRA. To implement the PPMR Program, implementing agencies have identified their requirements for additional financial management staff. The specified additional staff will be hired as indicated in the PAP.

22. The recommended mitigating measures in the areas of budgeting/planning, accounting/reporting and internal audit are anticipated to build experience and skills that will outlast the project itself and spill over into improved financial management in Punjab. The measures are focused in order to prioritize the key themes highlighted in the latest PEFA assessment and to bolster/strengthen capacity in these areas under this particular program.

23. The innovative use of PIFRA Integrated Financial Management Information System in producing program-level financial statements will also benefit financial management in the province and the lessons learned will bolster the use of the system, going forward.

24. Some implementing agencies do not have dedicated procurement staff. At PPRA and E&TD, there is no procurement expert position in the organizational structure whereas at PITB and PRMP the position available but vacant. PRMP and PITB have managed large procurements in the past but PPRA and E&TD have limited experience and have only carried out small procurements. PRMP has implemented donor-funded program and has experience in the selecting of consultants; it hired a consulting firm for PFM and Civil Service Reforms under ADB’s program at an estimated cost of US$5 million. PITB has undertaken major procurements in goods and consultancy assignments. Given the identified Program needs, it is agreed that the Deputy Program Director PRMP will be the focal point for procurement and contract management; additional staff may be hired for support in contract management if required for the TPV firm contract(s). In the case of PPRA, procurement and contract management staff will be hired as indicated in the PAP. In PITB, the current structure is quite robust. The purchase committee is notified and comprises one Director General, two joint directors, an assistant director planning, and the concerned director. In case of complex procurements, additional members may also be co-opted. This system is acceptable for the Program’s procurements. The E&TD office does not have a regular procurement function. A focal person will be identified and expertise developed to manage Program activities. Assistance of PITB may also be explored for ICT procurements.
Accounting and Reporting

25. Each implementing agency will maintain its own books of accounts for Program-related activities on a cash basis, using the government’s accounting policies and procedures, which also include a GFS-compliant Chart of Accounts collectively called the New Accounting Model (NAM). PRMP as executing agency will be responsible for preparing Program-level consolidated financial reports, including quarterly Budget Execution Reports and Annual Financial Statements that will also be shared with the Bank. The Program-level reporting will be complex and the process needs to be finalized.

26. Presently, the implementing agencies maintain their accounts manually and carry out monthly expenditure reconciliation with the Accountant General. Reporting is limited to monthly and annual Budget Execution Reports except for PITB, which prepares annual financial statements.

27. The PEFA 2012 assessment suggested that a management information system for procurement should be considered, with every department assigned an interface. It was suggested that the procurement information system should cover the complete procurement cycle right from procurement planning to contract award and including a grievance redress module. Such a system would significantly strengthen management information for procurement reporting purposes.

Internal Controls

28. The government has a comprehensive internal control framework comprising the Punjab General Financial Rules (PGFR), Treasury Rules (TR), and Punjab Delegation of Financial Powers Rules (PDFPR) 2006, which will be observed for the Program expenditure. Most of these regulations were enacted a few decades ago and have undergone several revisions from time to time. The PEFA Assessment 2012 reports that the controls, though comprehensive, involve the duplication of approvals and multiple reporting, leading to inefficiency. Moreover, it also reported the absence of an effective internal audit function in Punjab. The existence of strong payroll controls (except the absence of periodic payroll audits) was noted during the PEFA Assessment. The Finance Department is in the process of updating certain rules in line with generally accepted best practices and is also working on a proposal to establish the internal audit function.

29. All public procurements are subject to the Punjab Public Procurement Rules (PPR 2009, which will also be applicable to the Program. The PPR are applicable to all government entities as well as autonomous bodies. They acknowledge the principles of fairness, transparency, value for money, equal opportunity, economy, and efficiency; stipulate general competition as the default method of procurement; and provide for pre-disclosed evaluation criteria; limitations on post-bid negotiations; disclosure of evaluation prior to award, and complaint redressal.

30. Implementation of these rules, however, varies. In general, bidding opportunities are advertised on the departmental as well as PPRA website and in national newspapers, but information regarding evaluation and contract award is not published. Punjab PPRA is yet to develop standardized documentation (SBDs, SRFPs, RFQs, Contracts, etc.). PITB has developed customized documents for the procurement of goods, which are used for IT goods and non-consultancy services. All IFBs and bidding documents are posted on the website. The procurement process generally follows a two-envelope system in which technical evaluation (check of responsiveness, compliance, and qualification) is done as a first step, the financial proposals of only technically eligible firms are opened and the award is made to the lowest financial bidder. Fine-tuning the process is recommended, i.e. the technical criteria should provide a minimum passing mark. The contract form is also issued with the bidding document and is in general, acceptable. For the selection of consultancy services, the guidelines issued by P&D in July 2007 are used. This is an acceptable set of RFP but does not include a form of contract. PPRA will recommend
the use of bidding documents for goods and RFPs including contract forms to be used for the Program Procurement. Such instructions will be issued by November 30, 2013. In parallel, PPRA is working on developing standard bidding and proposal documents. Once the SBDs and SRFPs are notified, these will be used throughout the province and in the Program. The Bank will remain engaged with PPRA and the Program will support PPRA to ensure that these documents are robust.

31. PPRA Rule 35 requires the announcement of bid evaluation 10 days prior to award, and Rule 47 stipulates the publication of documents related to evaluation and award upon contract award. There was no evidence of compliance with these rules. There also is a need to clearly identify the minimum information requirement to be disclosed, and its format. The public disclosure requirement under the current rules does not include any obligation to disclose data on complaints lodged and their resolution. The avenue of the PPRA website provides to increase public accessibility to any information to be disclosed, but it is currently not being optimally utilized for the said purpose and is limited to the extent of bidding opportunities and advertisement.

32. The procurement rules provide for the establishment of a committee for grievance redress by the procuring agency but not provide for an independent review process for handling procurement complaints. Currently, the procurement review bodies/committees are ad-hoc and appointed by the head of the department at the procuring agency. PITB has an established system where a DG not concerned with the subject procurement is responsible for handling complaints and reporting to the Chairman. The Program has established a second-tier complaint redress mechanism through the Planning and Development Department. Overall, PPRA intends to define clear procedures and processes for an independent grievance redress system.

33. The implementing agencies mainly manage contracts for goods and only PRMP and PITB have managed consulting contracts. There are no defined standard operating procedures (SOPs) for contract management and only PITB has a notified wing responsible for contract management. At the other implementing agencies, contract management responsibilities are defined on a case-to-case basis. As described earlier, PRMP and PPRA will be staffed to augment this section, and their needs shall be identified at DG E&T as soon as their procurement outlays are defined.

34. Compliance with FM and procurement internal controls appears fairly high from limited audit observations, but the assessment has identified the following areas where internal controls can be further improved:

- Establishing an effective internal audit function where it is either absent (PPRA and PRMP) or is limited to pre-audit (PRMP, PITB & E&T Department).
- Improving reporting and reconciliation controls with periodic review by the senior management, which at present is an activity of the financial management unit.
- Strengthening asset management, including asset coding, periodical physical verification, documentation of the custodian’s responsibilities for asset safeguard and exercising strong controls over assets receipt and issuance. Some of these controls exist, but the Program implementation will involve substantial asset procurement and there is a need to strengthen the controls to safeguard assets.
- Establishing a plan for periodic payroll audits across the Program.
- Framing financial rules for PITB which follows the government rules, though the PITB ordinance allows the Board to frame its own rules. This is an opportunity for the management to bring efficiency into its processes.
- Preparing implementation agency-level procurement plan.
- Defining clear procedures and processes for an independent grievance redress system.
• Identifying disclosure protocols for procurement plans, bidding documents, evaluation summary, award data, and complaints.

Program Audit

35. The Program will be audited by the Auditor General of Pakistan (AGP) as the supreme audit institution of the country. In the latest PEFA Assessment, the external audit function was rated “B” owing to extended scope and coverage and good quality of audit. For the provincial government, the audit up to the financial year 2011/12 has been completed and the audit reports submitted to the legislature. The Public Accounts Committee (PAC) is supposed reviews the audit reports but the audit reports for 11 financial years are still pending review.

36. AGP has completed the audit of the implementing agencies up to the financial year 2011-12 and there are no significant audit observations that are unresolved or that have been reported to PAC. For each financial year, the AGP will audit the Program’s financial statements and that will be submitted to the Bank within six months of the close of that financial year.

Capacity Building

37. The assessment identifies certain capacity and control weaknesses within the implementing agencies. To build implementing agencies’ capacity and strengthen internal controls, technical assistance will need to be provided to hire consultants under PPMR Program. Skills transfer and the sustainability of this capacity development during implementation and at the conclusion of the Program will be a key concern.

38. The project identifies procurement and contract management arrangements within each implementation entity and PPRA shall hold customized training sessions as soon as focal points are identified.

39. The Program goes beyond the fiduciary systems assessment and action plan for the four implementing agencies and supports PPRA in strengthening the regulatory framework in the province for an improved procurement regime. PPRA has drafted a procurement roadmap that includes filling in the documentation gaps (SBDs, SRFPs, implementation regulations, contract management SOPs, etc.), and developing a procurement performance MIS, and developing a training strategy and a phased e-procurement implementation plan.

40. The Program has identified two major actions, i.e. developing MIS and implementing e-procurement, which is included in the results framework. The development and implementation of the MIS is also a DLI. Details of the PPRA action plan and reasons for picking up these two actions for Program monitoring are provided in the Technical Assessment (annex 4).

41. The action plan provided in this assessment tabulates the actions by the four implementing agencies at the transactions level. Major actions under draft roadmap of PPRA are also given for reference.

Fraud and corruption

42. In Pakistan, there exists an established anti-corruption framework comprising enabling legislation, anti-corruption investigating agencies (ACAs), and a dedicated anti-corruption court system. Enabling anti-corruption legislation dates as far back as 1860. At the federal level, the Federal Investigation Agency has its roots in the Special Police Establishment created in 1942 to investigate
corruption in the Supplies and Procurement Department of the Government of India. In 1999, the National Accountability Bureau (NAB) was established to investigate major corruption cases. In 2010, the Competition Commission of Pakistan was established as a watchdog to fight anti-competitive practices, including collusion in procurement, in the private sector. All the four provinces have Anti-Corruption Establishments (ACE). Additionally, there are single-mandate and general-mandate ombudsmen both at federal and provincial level.

43. Punjab is Pakistan's largest province, accounting for roughly three-fifths of the country's population and income. Public service delivery in the province, in line with national numbers falls far short of the expectations of the population, mainly due to governance challenges. The provincial government has initiated several projects aiming to increase transparency, reduce corruption, and improve the efficiency and effectiveness of service delivery. These efforts have had some impact. According to the Transparency International 2011 report, citizens’ perceptions of the Punjab Government have improved in recent years - the only province of the four that has seen an upturn.

44. In Punjab, several institutional arrangements are in place to received complaints of corruption, conduct inquiries, and process cases. On the criminal side, the Prevention of Corruption Act defines corruption. The institutional structures are governed by the Punjab Anti-Corruption Establishment (ACE) Ordinance 1961 and Punjab Anti-Corruption Establishment Rules 1985. In 2006, the Punjab Employees Efficiency, Discipline & Accountability Act replaced the old Efficiency and Discipline rules. The National Accountability Ordinance 1999, a federal law, also has jurisdiction over provincial departments. The Competition Act 2010 has jurisdiction over the entire country.

45. Any citizen can complain against any official to the ACE. Complaints are received simultaneously at headquarter, regional, and district levels. However, as a precautionary measure, an SOP has been designed to ascertain the identity of the complainant or informer and the genuineness of the complaint/information; this is to eliminate the element of blackmailing of public servants and to entertain only genuine complaints. As per the SOPs, the Assistant Director (Complaints) after hearing the complainants, recommends the initiation of an enquiry or forwards this to the departments concerned or files the complaint as baseless, devoid of evidence/beyond jurisdiction etc.

46. The ACE processed close to 30,000 complaints in 2011. Some 6,500 formal enquires were conducted and about 2,000 new criminal cases were registered. A similar number from the backlog was disposed of. According to the ACE setup in every region, an anti-corruption court has been established where special judges try cases. During 2011, there were 52 convictions and 713 acquittals among more than 1,000 cases decided by the anticorruption courts.

47. On the administrative side, the Punjab Employees Efficiency, Discipline, and Accountability Act 2006 (PEEDAA) governs internal accountability arrangements. Officials can be proceeded against if charged with corruption or even with the reputation of being corrupt. Penalties range from fines to dismissal from service. Appeals against administrative orders are maintained under the Punjab Service Tribunals Act 1974 before the Punjab Services Tribunal. The Punjab Office of the Ombudsman Act provides a forum for the protection of people’s rights against maladministration and corrupt practices by public servants.

48. Several other institutions also aim to check corruption and maladministration. The Chief Minister’s Inspection Team (CMIT) holds and conducts inquiries into major public spending on behalf of the Chief Minister. The Chief Minister’s Complaint Cell also receives complaints on corruption and other issues from the general public and redresses their grievances of the public. Complaint cells are also established at the offices of Chief Secretary, Departmental Secretaries, Commissioner, DCO, EDO, DO, and ACs, which redress complaints against corruption from the public.
49. Proactive feedback is also being sought from service beneficiaries to check petty cases of corruption in Punjab. More than 2.7 million citizens have been contacted and close to 0.3 million have given their feedback. The Secretary Implementation and Coordination (I&C) Punjab in Services & General Administration Department (S&GAD) is tasked with its implementation across the province.

50. The draft Freedom of Information Act, recently passed by the Cabinet, represents one of Punjab’s most critical achievements in the fight against corruption in recent years. Under the provisions of the draft Act, any citizen may request information from a “public body” which is required to reply expeditiously or within 15 days. The draft Act also requires every public authority to computerize their records for wide dissemination of an independent Information Commission will also help fight corruption. The Commission will deliver decisions instructing the government, courts, universities, the police, and ministries on how to share information of public interest.

51. A free media can identify and expose corruption or other improper practices in the government; it can also validate government measures that are neither corrupt nor improper. Civil society and an increasingly assertive media and judiciary are also increasing their oversight at all levels and aggressively pursuing major cases of corruption.

52. The interventions proposed under the Program - fostering transparency, implementing smart management, implementing e-services, and improving financial management - all aim to improve management and citizen oversight, reduce discretion, and fight corruption.

53. Prima facie, the anticorruption framework has all the essential ingredients to address corruption issues in the province. The capacity of the officers needs to be enhanced. The ACE in Punjab also suffers from budgetary constraints. An electronic complaint management system with built-in M&E will help increase capacity and improve performance management. PEEDA, a comprehensive legislative framework for internal discipline, can be strengthened by the development of an MIS to enable monitoring of actions taken within different departments.

54. The implementing agencies of the Punjab Public Management Reform Program – the Punjab Information Technology Board, Excise and Taxation Department, Punjab Procurement Regulatory Authority, and Punjab Resource Management Program - are all governed by the civil and criminal administrative arrangements described above. The ACE acts on all complaints received, including any complaints received against the four implementing agencies.

55. The Borrower will implement the Program in accordance with the provisions of the Anti-corruption Guidelines (ACG) applicable to PforR operations. The modalities for implementing the ACG include the following:

   i. All fraud- and corruption-related complaints will be aggregated through three mechanisms. First, an MIS to be maintained by executing agency/implementing agencies for administrative discipline and efficiency inquiries, including any procurement corruption charges related to the Program, where all such processes will be aggregated – is being proposed as a Program Action Plan activity. Second, anti-corruption establishment already aggregates and categorizes all complaints. Third, Secretary Planning and Development/PRMP will process through the relevant administrative authorities any Program related procurement corruption complaints that may be received.

   ii. The Office of the secretary of the Planning and Development Board will be the Punjab Government’s focal office for the purposes of ACG application. It will also aggregate Program
related procurement corruption complaints by monitoring the MIS of administrative inquiries and by maintaining liaison with ACE.

iii. The Punjab Government will undertake investigations, criminal and administrative, under the Program, of all material and credible allegations of fraud and corruption, and keep the Bank abreast of their progress and findings and make public the conclusions.

iv. The Punjab Government will provide the Bank with reports annually or more frequently as warranted, reporting allegations of fraud and corruption under the Program received and registered, as well as related investigations and, as needed, the actions taken. Reciprocally, if the Bank finds evidence of corrupt practices, the Bank will, to the extent consistent with Bank policy, refer the case to the Punjab Government for investigation under the relevant criminal and civil laws.

v. If the Bank determinates to conduct an administrative review into allegations or other indications of fraud and corruption in connection with the Program, conducted alone, together, or in parallel with a government investigation. The Punjab Government will cooperate fully with representatives of the Bank and take all appropriate measures to ensure the full cooperation of relevant persons and entities subject to the government jurisdiction in such investigations, including, in each case, allowing the Bank to meet with relevant persons and to inspect all their relevant accounts, records, and other documents and have them audited by or on behalf of the Bank. If the Bank finds evidence of corrupt practices, the Bank will refer the case to the Punjab Government for investigation under the relevant criminal and civil laws. The Bank may, however, debar private individuals and firms on its own.

vi. The Bank’s right to investigate or conduct reviews does not extend to criminal investigations, which is the exclusive jurisdiction of the Punjab Government.

vii. The Punjab Government will ensure that any person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise allowed to participate in, the Program during the period of such debarment or suspension.

viii. The bidding documents will serve as bidders’ source of information regarding the applicability of the ACG to the Program. Compliance will be verified through the Program’s annual audits.

Action Plan to Mitigate Risks

Financial Management

<table>
<thead>
<tr>
<th>Area</th>
<th>Performance indicator</th>
<th>Baseline</th>
<th>Monitoring benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and budgeting</td>
<td>Implementation/Budget plan for the Program with detailed costing and timelines developed by the implementing agencies</td>
<td>No plan available</td>
<td>Implementation/budget plan approved by the MD/Chairman/PD/Secretary</td>
</tr>
<tr>
<td></td>
<td>Annual budget allocations for the Program made in accordance with the implementation plan</td>
<td>No budget for the Program in FY 2012-13</td>
<td>Allocation for the Program in the annual budget from FY 2013-14 onwards</td>
</tr>
<tr>
<td>Funds flow</td>
<td>Funds committed for the Program activities in annual budget released</td>
<td>Nil</td>
<td>Quarterly budget execution reports</td>
</tr>
<tr>
<td>to the implementing entities in time</td>
<td></td>
<td></td>
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<td>---</td>
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<td></td>
</tr>
<tr>
<td>FM capacity</td>
<td>FM units of the implementing entities working at sanctioned strength Additional staff requirement finalized and staff hired</td>
<td>Vacancies in PITB and PPRA</td>
<td>Staffing plan is included in the PAP</td>
</tr>
<tr>
<td>Accounting and reporting</td>
<td>Process of preparing Program-level financial reports and entities to be included in the reports to be finalized</td>
<td>Nil</td>
<td>Program-level financial reporting arrangements to be agreed with the Bank Periodic Program-level financial reports prepared and reviewed by the management</td>
</tr>
<tr>
<td>Internal controls</td>
<td>PITB to introduce financial rules for efficient processing Establishment of an effective internal audit function Internal audit to prioritize reviews aimed at (a) improving reporting and reconciliation controls, and (b) strengthening asset management and payroll systems</td>
<td>Nil</td>
<td>As indicated in the PAP Plan to establish internal audit function agreed with the Bank Internal audit reports on priority areas to be finalized</td>
</tr>
<tr>
<td>Program audit</td>
<td>Program external audits carried out in a timely manner</td>
<td>Nil</td>
<td>Program audited financial statements available within six months after the close of the financial year</td>
</tr>
</tbody>
</table>

**Procurement: Actions for Implementing Agencies (Transactions-Level)**

<table>
<thead>
<tr>
<th>Area</th>
<th>Action</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement planning</td>
<td>All four implementing agencies have developed their procurement plans</td>
<td>Within 45 days of the budget allocation</td>
</tr>
<tr>
<td>Process and procedure</td>
<td>The customized bidding documents for goods have minimum passing thresholds and RFPs have agreed contract formats. Publication of all required information on Websites.</td>
<td>Draft agreed. Notified for Program use by Nov. 30, 2013 Continuous process</td>
</tr>
<tr>
<td>Controls and integrity</td>
<td>PITB has a system in place; PRMP, PPRA, and DG E&amp;TD to set up a</td>
<td>Done.</td>
</tr>
</tbody>
</table>
### Procurement: Actions for PPRA (Regulatory level)

<table>
<thead>
<tr>
<th>Actions for PPRA (regulatory level)</th>
<th>Status, program linkage, and resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notification of SBDs and SRFPs</td>
<td>Drafts have been prepared. It is essential for PPRA to notify the SBDs/SRFPs to facilitate the quality of procurement in all provincial procurements. This is a major action prior to MIS implementation. Consultant/Firm to be hired.</td>
</tr>
<tr>
<td>Development of implementing regulations</td>
<td>This will help clarify the rules. PPRA has prepared initial draft; Consultant/firm to be hired to complete the task.</td>
</tr>
<tr>
<td>Design of procurement performance MIS</td>
<td>This is a result indicator as well as a DLI. International Growth Centre is working on the software. MIS shall be used by all the procuring agencies in the province; the DLI shall measure only a subset growing over the years.</td>
</tr>
<tr>
<td>Training strategy</td>
<td>PPRA to do a TNA, prepare a training strategy, and identify local institution(s) to conduct various training suits.</td>
</tr>
<tr>
<td>E-procurement strategy</td>
<td>PPRA shall hire a consultant/firm to develop an e-procurement strategy. PITB may help design the initial phase. Initial implementation of e-procurement at PITB is a result indicator.</td>
</tr>
</tbody>
</table>

### Fraud and Corruption

<table>
<thead>
<tr>
<th>Area</th>
<th>Performance indicator</th>
<th>Baseline</th>
<th>Performance standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints redressal</td>
<td>Secretary Planning and Development to establish a complaint register and follow up system.</td>
<td>Nil</td>
<td>Relevant process to be established</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>Excise and Taxation Department, PITB, PRMP, and PPRA to establish an MIS to follow up on PEEDAA processes in the department/organization</td>
<td>Nil</td>
<td>As indicated in the PAP</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>Case management system to be established for ACE for improved performance management</td>
<td>Nil</td>
<td>The case management system, with modules to be decided, will be designed during the first year and implemented during the second and third years</td>
</tr>
</tbody>
</table>