Report Number : ICRR0024116

1. Project Data

Project ID	Program Name
P157507	PFM/accountability to supp. service deli
Country	**Practice Area(Lead)**
Pakistan	Governance

L/C/TF Number(s)	Closing Date (Original)	Total Program Cost (USD)
IDA-61700	30-Nov-2021	379,999,571.43
Bank Approval Date	**Closing Date (Actual)**	
19-Dec-2017	31-Oct-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	400,000,000.00	0.00
Revised Commitment	380,000,000.00	0.00
Actual	379,999,571.43	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Program Context and Development Objectives

a. Objectives

According to the Financing Agreement (FA) dated December 29, 2017 (p. 5) and the Program Appraisal Document (PAD) (p. 3), the Program Development Objective (PDO) was:

“To improve public financial management (PFM) and procurement systems for better management and accountability in service delivery for health and education sectors.”

For the purposes of this review, the Program Development Objective (PDO) has been parsed as follows:

- **PDO 1**: To improve public financial management for better management and accountability in service delivery for the health and education sectors.
- **PDO 2**: To improve procurement systems for better management and accountability in service delivery for the health and education sectors.

b. Were the program objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The Program had five Key Result Areas (KRAs) and eight (8) Disbursement Linked Indicators (DLIs). For clarity, IEG is labelling the KRAs as Components 1-5 and their Sub-components would be the corresponding DLIs (PAD, Table 1 and Annex 1):

Component 1: **Strengthening the legal framework and internal management systems in the line ministries and service delivery units**. This component aimed to strengthen the PFM regulatory framework to ensure that all funds were remitted to the Treasury Single Account (TSA) and empower service delivery practitioners to spend timely resources by simplifying the rules for expenditure authorization.

- *DLI 1:* Reduction of variance in functional expenditure composition for the health and education sectors to improve reliability of the budget (*Allocated amount US$70 million*).
- *DLI 2:* Reduction in cash held outside the Recipient's TSA (*Allocated amount US$70 million*).

Component 2: **Improved procurement performance.** This component aimed to improve transparency, efficiency, and competition in procurement practices for better value for money in selected federal ministries and provincial departments.

- *DLI 3:* Percentage of vendor contracts processed through the recipient's e-procurement system (*Allocated amount US$50 million*).

Component 3: **Payroll and pension payment systems.** This component aimed to track resources to the point of use at the school or health center level and use technology to correct for large inefficiencies in the pension payment system.

- *DLI 4:* Percentage of alignment of information and identification numbers for individual primary school teachers and health workers related to their place of work and salaries (*Allocated amount US$30 million*).
- *DLI 5:* Percentage of pensioners, disaggregated by gender, authenticated against the National Database and Registration Authority (NADRA) computerized national identity card, paid through the

Direct Credit Scheme no later than the following pension payments cycle after retirement (*Allocated amount US$30 million*).

Component 4: **External audit, legislative scrutiny, and social accountability.** This component aimed to strengthen the technical capacity of the Department of Auditor General of Pakistan (DAGP), develop and implement social accountability strategies for citizen participation, improve financial reporting and improve transparency in PFM.

- *DLI 6:* Percentage of audit recommendations processed through the Audit Management Information System (AMIS) (*Allocated amount US$40 million*).
- *DLI 7:* Increased citizens' access to key fiscal information concerning health and education (*Allocated amount US$30 million*).

Component 5: **Performance-based grant.** This component aimed to strengthen federal-provincial fiscal coordination and promote innovative service delivery and accountability ideas in PFM.

DLI 8: Percentage of fiscal performance and service delivery indicators met by the provinces (*Allocated amount US$80 million*).

e. Comments on Program Cost, Financing, Borrower Contribution, and Dates

Program Cost: The total program cost at appraisal was US$982 million, of which the World Bank's (WB) contribution was US$400 million. The WB's revised contribution was US$380 million. The total amount disbursed at closing through the PforR instrument was US$ 379.99 million.

Financing: The Program for Results (PforR) was originally financed with a US$400 million IDA credit and US$582 million in additional non-WB administered financing provided by the government of Pakistan (US$575 million) and the European Commission (US$7 million). The original Program cost was US$982 million. The actual disbursements were as follows: Revised Program cost US$1,512 million of which the GoP disbursed US$1,125 million, WB US$379.99 million and EU US$7 million.

Dates: The Program was approved on December 19, 2017, and became effective on December 29, 2017. A Mid-Term Review (MTR) was conducted in December 2020. The original closing date was November 30, 2021, but the Program was extended by two years and closed on October 31, 2023.

Restructurings: While the PDO, components (KRAs), and outcome targets remained the same during the life of the Program, the latter was restructured three times.

Restructuring No.1: The **first restructuring** on November 22, 2021, aimed to ensure that all critical activities across Components (KRAs) were finalized and implemented to support the achievement of the PDO (RES45628, p. 5). All DLIs, except DLI 8, and their timelines, allocation, and scope were revised. The PDO and M&E framework remained unchanged. The WB's financing was decreased by US$20 million to align with the narrowed scope of DLIs 2 and 3 and the closing date was extended by 19 months from November 30, 2021, to June 30, 2023 (PAD Annex 1; ICR, para 11).

Restructuring No.2: The **second restructuring** on June 25, 2023, aimed to further extend the Program's closing date by four months from June 30, 2023, to October 31, 2023.

Restructuring No.3: The **third restructuring** on October 26, 2023, aimed to adjust the reallocations of funds.

DLI	Changes made during Restructuring No. 1
DLI 1: Reduction of variance in functional expenditure composition for the health and education sectors	• Baseline updated and DLI made scalable in proportion to the results achieved by each province and the federal government (DLR 1.5 and 1.6) • Scope broadened with inclusion of federal government (1.5 and 1.6). • DLR 1.4 deleted. • Two new DLRs introduced. • Completion date extended.
DLI 2: Reduction in cash held outside the Recipient's Treasury Single Account.	• Baseline revised and scope sharpened to exclude cash held by provincial and local governments in commercial banks and focus on federal government deposits held outside the TSA, aligning DLI with TSA Policy. • DLRs 2.3, 2.4, and 2.5 deleted. • Two new DLRs introduced. • Reduced allocation of US$30 million, including a US$15 million cancellation. • Completion date extended
DLI 3: Percentage of vendor contracts processed through the recipient's e-procurement system.	• Scope sharpened to include only health and education sectors. • End target reduced from 90% to 50 - 90% of transactions processed through the e-GP and verification protocols amended to align with the PDO. • Three new DLRs introduced. • Allocation reduced by the relevance of the Program's objectives $5 million. • Completion date extended.
DLI 4: Percentage of alignment of information and identification numbers for individual primary school teachers and health workers related to their place of work and salaries.	• Baseline reworded and scope broadened to cover the whole of the government instead of selected district pilots. • Two new DLRs introduced: 4.6 and 4.7. • Allocation increased by US$5 million. • Completion date extended.
DLI 5: Percentage of pensioners, disaggregated by gender, authenticated	• Two new DLRs were introduced: 5.5 and 5.6. • Allocation split between two financial years.

against the National Database and Registration Authority (NADRA) computerized national identity card, paid through the Direct Credit Scheme (DCS) no later than the following pension payments cycle after retirement.	• Completion dates extended.
DLI 6: Percentage of audit recommendations processed through the Audit Management Information System.	• Scope broadened to include four sectors —Revenue, Social Safety, Climate, and Public Works. • Two new DLRs were introduced: 6.5 and 6.6. • Allocation increased by US$10 million.
DLI 7: Increased citizen access to key fiscal information concerning health and education.	• DLR 7.1 was not achieved because the Open Government Action Plan was not submitted and was replaced with enhanced reporting requirements under DLI 6. • Two new DLRs introduced: 7.5 and 7.6.
DLI 8: Percentage of fiscal performance and service delivery indicators met by the provinces.	• No change.

3. Relevance

a. Relevance of Objectives

Rationale

Country and sector strategy: The PDO was relevant at appraisal both in the broader country context as well as the more specific PFM context which was highly centralized in Pakistan. Addressing PFM bottlenecks by the federal government was critical to service delivery. PFM functions were split between federal and provincial entities with budgeting and expenditure management being responsibilities of the provincial government, and accounting and auditing being federal mandates. Provincial Accountant Generals, employed by the federal government were responsible for processing payroll, pension and vendors' transactions which were targeted in Component 2 (Improved Procurement Performance) and Component 3 (Payroll and Pension Payment Systems) of the Program. The institutional capacity of the provincial governments was important for implementing these functions.

Health and education service delivery was devolved to the provinces in 2010 under the 18th Constitutional Amendment in Pakistan, but despite a substantial increase in the health and education budget at the provincial level between 2013 -14 and 2017-18, resources failed to be efficiently executed. The government aimed to increase the budget allocation to both sectors, but without structural changes in PFM and reliable execution of the budget, a larger budget would not translate into better PFM performance. According to the Program's PAD (para 4), the actions needed to remove the PFM bottlenecks were: a robust law; strong cash management; timely and comprehensive reporting; improved federal-provincial coordination; timely release of funds; streamlined payroll and pension systems; efficient and transparent procurement, and user-friendly reports for citizen engagement.

Government Strategy: At appraisal, the proposed PDO was well aligned with the government's six-pillar *PFM Reform Strategy (2018-2027)* that had been jointly approved by the federal and provincial governments. The objective of the reform was to consolidate PFM progress and make incremental improvements to ensure that systems delivered to their full potential and were subject to accountability and transparency. Five of the six pillars of the PFM Reform Strategy were directly supported by the PforR: Pillar 1 on fiscal sustainability and credibility of the budget; Pillar 3 on service delivery and results-based management; Pillar 5 on oversight, transparency and accountability; Pillar 6 on vehicle PFM coordination; and, partially, Pillar 4 on public investment management and PPP (PAD, para 8).

The PFM Reform Strategy was also supported by the National Procurement Strategy and Training Plan (2017-2021) (PAD, para 7). In addition, the Program's PDO was aligned with *Pakistan's Vision 2025* which focused on a responsive, inclusive, transparent, and accountable system of governance, and was fully relevant for the Program's objectives.

Country Partnership Strategy: At appraisal, the PDO was well aligned with the WBG's *Country Partnership Strategy (CPS) FY15-20* for Pakistan. The Program was aligned with Result Area 4 on "Service Delivery" by adopting a citizen-centered approach to removing PFM constraints to service delivery, focusing on results, and fully exploiting the potential of emerging technologies to advance transparent and accountable service delivery as expressed in Component 3 (Payroll and pension payment systems), Component 4 (External audit, legislative scrutiny, and social accountability), and Component 5 (Performance-based grant).

The PDO supported the *International Development Association (IDA) 18 commitment* to improve public expenditure, financial management, and procurement, and was aligned with *Sustainable Development Goal (SDG) 16* on governance and institutions.

In addition, the PDO was aligned with the *World Development Report 2017: Governance and the Law* on its recommendations to strengthen commitment, coordination, and cooperation in PFM systems and institutions. Finally, it would contribute to Pillar 2 of the 2020 *Systematic Country Diagnostic (SCD)* by improving PFM under the priority area: "Improve efficiency and equity of spending on poverty reduction."

Prior WB sector and country experience: The Program was informed by previous WB work in Pakistan, including the *Public Expenditure and Financial Accountability (PEFA) Assessment of 2012* and the lessons learned from the *Project to Improve Financial Reporting and Auditing (PIFRA)*. The basic ICT infrastructure was already in place through the previous PIFRA projects (PAD, para 11).

Moreover, the Program complemented ongoing WB-financed health and education operations aimed at improving service delivery outcomes directly. According to the PAD (para 12), there were five ongoing sector projects with actions relevant to the Program: Pakistan: Third Punjab Education Sector Project (P154524), Pakistan: Sindh Education Sector Project, Enhanced Nutrition for Mothers and Children (P131850), Punjab Health Sector Reform Project (P123394), and the National Immunization Support Project (P132308).

Country capacity and adequacy of PforR Instrument: Given the challenges in Pakistan, and the need for multiple system-wide reforms, designing the first PforR Program around five PDO-level indicators was appropriate to address the key PFM and procurement constraints to better service delivery in the education and health sectors.

Five PDO-level indicators and targets, as well as the eight DLIs were considered adequate outcome measures, except that the Program failed to distinguish between targets at the provincial and federal levels and the scope of the Program was ambitious. Each of the five PDO-level indicators overlapped with a DLI; DLIs 4, 5 and 7 were not associated with a PDO-level indicator. The Program's Theory of Change (ToC) (ICR, Figure 1, p. 60) presents a succinct and logical flow from activities (inputs) and outputs to DLIs, and intermediate outcomes to PDO level outcomes and high-level outcomes.

The program supported capacity building and institutional strengthening of key PFM institutions and service delivery units and provided incentives for behavioral change in recipient agencies. Support was aimed at the Pakistan Audit and Accounts Academy (PAAA) to operate as a PFM Centre of Excellence using the qualification framework of the Pakistan Institute of Public Finance Accountants. Support was also to be provided to the Public Procurement Authority to enable it to provide training in Public Procurement Rules across government departments. Finally, training on collaborative leadership was to be developed with the PAAA with the objective of supporting behavioral change and program ownership.

In addition, the Program benefitted from consultation and dialogue with development partners and complementary support through projects with the European Union, USAID, and the United Kingdom's Department for International Development. These would contribute to the country's capacity for implementing its first PforR (PAD, p. 14).

The selection of a PforR instrument was well justified for this operation as it was driven by the need to address system-wide bottlenecks to PFM and procurement by supporting key reforms, strengthening country systems, capacity building and institutional strengthening accompanied by incentives for behavioral change, and reforms to strengthen public administration processes using emerging technologies. Proposed solutions included a PFM law; timely and comprehensive reporting; streamlined payroll and pension systems; e-procurement; and citizen-friendly reports.

There were, however, some shortcomings in the instrument. The absence of Technical Assistance (TA) was a shortcoming as it was needed to strengthen capacity and knowledge of the new instrument both at the provincial and federal levels. Despite actions needed to address major federal-provincial coordination constraints necessary for program implementation, the Program's Performance-based grant DLI (8) only dealt with the creation of a coordination mechanism (the Fiscal Coordination Committee) and establishment of an incentive system for rewarding fiscal performance in selected areas. While a coordination mechanism and incentives for fiscal performance were necessary, they would not resolve the constraints.

Despite these shortcomings, the relevance of objectives is rated Substantial.

Rating

Substantial

b. Relevance of DLIs

DLI 1

DLI

DLI 1 referred to the reduction of variance in functional expenditure composition for the health and education sectors to improve the reliability of the budget.

Rationale

DLI 1 contributed to PDO 1 by reducing the variance in expenditure for the health and education sectors through a set of measures that included a strong PFM regulatory framework for fiscal discipline, strengthening the connection between plans and budgets, efficient procurement systems, and trimming the arbitrary reallocation of resources to other sectors. DLI 1 would be measured by the reduction in the variation between the original approved budget and actual expenditures in health and education. The timeline set targets at less than 25 percent variance in year 2; less than 15 percent in year 3; and less than 10 percent in year 4. The verification protocol was clear, technically sound and credible, entailing review of the PFM law, review of the Auditor General of Pakistan (AGP) Notification, review of the Financial Accounting and Budgeting System (FABS) report and calculation of variance using the PEFA methodology. The original disbursement allocated to this DLI was US$70 million, and the actual amount disbursed was the same.

Achieving this outcome would improve reliability of the budget in health and education. This, in turn, would contribute to the achievement of PDO 1 (improve PFM for better management and accountability in service delivery for health and education sectors) by narrowing the variance between the original and actual expenditures in both sectors. However, a lower variance did not automatically imply better budget execution or better quality of programs and projects in health and education.

During the first restructuring, DLI 1 was adjusted to be scalable although the target was unchanged.

This DLI is rated **Substantial**.

Rating

Substantial

DLI 2

DLI

DLI 2 referred to the reduction in cash held outside the Recipient's TSA.

Rationale

DLI 2 contributed to PDO 1 by addressing the need to enact a legal framework to ensure that all funds went to the TSA and simplified expenditure authorization rules to allow timely spending by service delivery practitioners. Two factors encouraged government departments to keep cash outside the TSA: a highly centralized payment authorization system without a legal framework, and an inadequate IT infrastructure for e-payment. As of June 2017, there were 753,084 government accounts in commercial/scheduled banks with a total balance of PKR 1.584 trillion. DLI 2 would be measured by a special survey of governments accounts in commercial banks and the adoption of an accounting framework for daily consolidation of all government cash balances as part of the TSA. The timeline set targets at 5 percent reduction in cash held outside the TSA in year 2; additional 5 percent in year 3; and additional 5 percent in year 4. The verification protocol was clear, technically sound and credible, entailing review of the Auditor General of Pakistan's (AGP) special survey report on government bank accounts held in the State Bank of Pakistan (SBP) and scheduled/ commercial banks; verification of adequacy of coverage, including several accounts held in public entities and line ministries; and review of the SBP Bulletin on classification of scheduled bank's deposits; fiscal operations report, and FABS bank reconciliation reports.

Achieving this outcome would ensure all funds went to the TSA and simplified expenditure authorization rules for the health and education sectors. This would contribute to the achievement of PDO 1 by allowing timely spending in both sectors.

The original disbursement allocated to this DLI was US$70 million, and the actual amount disbursed was US$40 million. During the first restructuring, DLI 2 was adjusted to exclude cash held by provincial and local governments in commercial banks and focus on federal government deposits held outside the TSA, aligning it with TSA Policy and the allocation was reduced by US$30 million, including a US$15 million cancellation.

This DLI is rated **High**.

Rating
High

DLI 3
DLI
DLI 3 referred to the percentage of vendor contracts processed through the Recipient's e-procurement system.

Rationale
DLI 3 was to be achieved through reforms to enhance transparency, efficiency, and competition in procurement practices for better value for money in selected federal ministries and provincial government departments. DLI 3 contributed to only PDO 2 (improve procurement systems for better management and accountability in service delivery for health and education sectors). The procurement reforms would be measured by the share of the targeted procurement packages processed through e-procurement in the health and education sectors and included the publication of bidding documents for goods, proposals for consultancy services, and contracts for specialized procurements. The timeline set targets at 50 percent of targeted packages to be processed through e-procurement for the health and education sectors in year 3, and 90 percent in year 4 as well as 50 percent for additional procurement entities also in year 4. The verification protocol was clear, technically sound and credible, entailing review of notifications on Public Procurement Rules, Standard Bidding Documents, procurement plans and transaction reports from the e-procurement system, among others.

The key constraints to efficient procurement included the lack of linkages between procurement plans and budgets, gaps in procurement rules limiting competitive bidding, inefficiencies due to a manual procurement system, and the need for qualified procurement personnel. These issues caused delays and inadequacies in funding for service delivery units, hindering the timely receipt of essential inputs and negatively impacted health and education service delivery outcomes.

Achieving DLI 3 would improve the transparency and efficiency of the procurement system in health and education and contribute to the achievement of PDO 2.

The original disbursement allocated to this DLI was US$50 million, and the actual amount disbursed was US$45 million. During the first restructuring, DLI 3 was scaled down to include only the health and education sectors, the end target was reduced from 90% to 50 - 90% of transactions processed through the e-GP, verification protocols amended to align with the PDO, and the allocation was reduced by US$5 million.

This DLI is rated **High**.

Rating
High

DLI 4

DLI
DLI 4 referred to the percentage of alignment of information and identification numbers for individual primary school teachers and health workers related to their place of work and salaries.

Rationale
DLI 4 aimed to strengthen tracking the attendance, postings, and transfers of front-line service delivery personnel that complicated the planning and payroll audits of teachers and health workers. DLI 4 sought to rectify the constraint caused by the lack of integration between the Education Management Information System (EMIS), the Health Management Information System (HMIS) and the Financial Accounting and Budgeting System which made it difficult to track resources to their end use. For example, bulk budgets received by Drawing and Disbursing Officers (DDOs) were not broken down by individual schools or health centers. DLI 4 was to be measured by the mapping of school teachers and health workers to education and health units in pilot districts and standardization of sanctioned position codes between the budget and payroll in pilot districts. The timeline set targets at 40 percent of teachers and health workers tagged in year 2; 60 percent in year 3; and 80 percent in year 4. The verification protocol was clear, technically sound and credible, entailing review of extracts from an Organization Management module to ascertain linkage of payroll and sanctioned positions. The original disbursement allocated to this DLI was US$30 million, and the actual disbursed amount was US$35 million as US$5 million was added during restructuring. During the first restructuring, the DLI was adjusted to cover the whole of the government instead of selected district pilots and the allocation was increased by US$5 million.

Achieving DLI 4 would improve tracking of teachers and health workers personnel, planning and payroll audits. This, in turn, would contribute to the achievement of PDO 1 by improving the percentage of alignment of information and identification numbers for individual primary school teachers and health workers related to their place of work and salaries.

This DLI is rated **High**.

Rating

High

DLI 5

DLI

DLI 5 referred to the percentage of pensioners, disaggregated by gender, authenticated against the National Database and Registration Authority's (NADRA) computerized national identity card, paid through the Direct Credit Scheme no later than the following pension payment cycle after retirement.

Rationale

DLI 5 aimed to improve the efficiency of the pension payment system through the authentication of pensioners against the NADRA database. DLI 5 contributed to PDO 1 by addressing a PFM constraint caused by a highly inefficient pension payment system in which most pensioners were from the health and education sectors. A PFM bottleneck was created because their service records were maintained manually at various office locations where they served. DLI 5 sought to remove the bottleneck by setting authentication targets at 70 percent in year 2; 80 percent in year 3; and 90 percent in year 4. The verification protocol was clear, technically sound and credible, entailing a review of employee records in HR/ Payroll databases and measures to ensure gender disaggregation. The original disbursement allocated to this DLI was US$30 million, and the actual amount disbursed was the same.

Achieving DLI 5 would contribute to the achievement of PDO 1 by narrowing the variance between the original and actual expenditures for pension payments in both sectors.

During the first restructuring, the allocation was split between two financial years.

This DLI is rated **High**.

Rating

High

DLI 6

DLI

DLI 6 referred to the percentage of audit recommendations processed through the AMIS.

Rationale

DLI 6 aimed to address the inefficiencies in financial reporting and transparency in PFM and contributed to PDO 1 by increasing and ensuring that the number of audit recommendations in the health and education sectors processed through the AMIS were effectively acted upon. This DLI was measured by the establishment of a competency wing with trained staff, Public Accounts Committee (PAC) recommendations effectively acted upon, and reports made accessible to the public. The timeline set targets of 40 percent for the recommendations effectively followed up and reports published and made accessible to the public by year 2; 60 percent in year 3; and 80 percent in year 4. The verification protocol entailed reviews of the AMIS implementation and training plan, and review of the DAGP Annual Audit Report to verify evidence of effective follow-up of the audit findings; included issuance by the executive or audited entity of a formal written response to the findings and reports on follow-up to provide evidence of implementation. The verification protocol was clear, technically sound, and credible, entailing processing audit reports through the AMIS.

Achievement of DLI 6 would increase the share of the audit reports that were acted upon and published on an official website. The outcome, however, was more comprehensive as the AMIS system was implemented across all directorates within the Auditor General's Office contributing to the achievement of PDO 1.

The original amount allocated to this DLI was US$40 million, and the actual amount disbursed was US$50 million. During the first restructuring, the scope of DLI 6 was expanded to cover the follow-up of audit recommendations from two to six sectors, including four additional sectors — Revenue, Social Safety, Climate, and Public Works and the allocation was increased by US$10 million.

Rating
High

DLI 7

DLI
DLI 7 referred to increased citizen access to key fiscal information on health and education.

Rationale
DLI 7 aimed to develop and implement social accountability strategies for citizen participation in PFM. DLI 7 contributed to PDO 1 because a strong PFM system is influenced by transparency and citizen participation when there is strong evidence that transparency positively impacts public service delivery outcomes. A report from Uganda indicated that public access to financial information can enhance service delivery and improve accountability. According to the Open Budget Index, the GoP provided the public with limited budget information, but it had committed to the Open Government Partnership (OGP) Principles. This was to be measured with the submission in year 1 of an OGP National Action Plan that included a Fiscal Transparency theme and the uploading of the Integrated Service Delivery Report (ISDR) for the education and health sectors in the Open Public Finance Data Portal by year 2 and its continuation in years 3 and 4. The verification protocol was clear, technically sound and credible, entailing the submission of the OGP National Action Plan and review and verifications of the use of the ISDR for budget monitoring and accountability, among other protocols.

Achieving this outcome would improve reliability of the budget in health and education. This, in turn, would contribute to the achievement of PDO 1 by reporting on the narrowing of the variance between original and actual expenditures in both sectors on the Portal. The Portal was established, and the ISDRs were uploaded in the Portal and websites of the Ministry of Finance (MoF), Auditor General and Controller General under "Citizen data" (TTL interview).

The original amount allocated to this DLI was US$30 million, and the actual amount disbursed was the same. However, during the first restructuring, the DLI was adjusted as the OGP Action Plan was not submitted and was replaced with enhanced reporting requirements under DLI 6.

Rating

Substantial

DLI 8

DLI

DLI 8 referred to the percentage of fiscal performance and service delivery indicators met by the provinces.

Rationale

DLI 8 aimed to address shared responsibilities between federal and provincial governments and was the Program's most important aspect. It contributed to PDO 1 as service delivery responsibilities had largely shifted to the provinces while PFM stayed with the federal government, and fiscal performance and delivery indicators were directly linked to PFM systems.

Three key developments had significantly impacted PFM systems and service delivery in the country: (i) the provinces were responsible for service delivery; (ii) the Auditor General of Pakistan's role in holding provinces accountable for resource use had been strengthened; and (iii) the provinces' share of the federal resource pool had increased significantly. These changes empowered provinces to enhance service delivery, but also necessitated more collaborative leadership to implement national goals and the Sustainable Development Goals. DLI 8 was to be measured by the establishment of a Fiscal Coordination Committee (FCC) by the Council for Common Interests (CCI); establishment and approval of an incentive system by the FCC to improve fiscal performance and service delivery in selected areas, the provision of an innovation award for the indicators met, and other measures. The timeline set targets on the innovation award to be provided to provincial governments for 10 to 20 percent of the fiscal performance indicators met by year 2; between 25 to 50 percent by year 3; and between 35 to 70 percent by year 4. The verification protocol was clear, technically sound and credible, entailing review of the FCC Notifications issued by the CCI; review of the incentive system for performance-based grants; achievement of the Fiscal Responsibility and Service Delivery Barometer to determine the innovation award; and the scalability of the innovation award thresholds. The original disbursement allocated to this DLI was US$80 million, and the actual amount disbursed was the same.

Achieving DLI 8 would improve Pakistan's fiscal performance and service delivery indicators. This, in turn, would contribute to the achievement of PDO 1 by improving transparency and coordination between the federal and provincial governments. The program led the provinces to adopt the citizens' budgets, enact PFM laws, as well as fully implement Direct Credit Pension payments and e-Payment solutions, thanks to these strategic interventions. In addition, the federal government's e-Procurement system was adopted by the provinces.

During the first restructuring, DLI 8 was the only DLI left unchanged.

This DLI is rated **High**.

Rating

High

OVERALL RELEVANCE RATING

Rationale

The relevance of the Program's objectives was rated Substantial, and the relevance of the 8 DLIs was rated Substantial. The overall relevance rating for the Program is Substantial.

The DLIs were highly relevant to the WB's country and sector strategies both at appraisal and closure. They were also highly relevant to the GoP's PFM strategy at appraisal, but less so by the time of closing as external factors such as the COVID-19 pandemic had shifted the government's focus away from the policy priorities of the Program.

The eight DLIs were clearly defined, well aligned with the PDO, and provided appropriate incentives to trigger actions and performance. They reflected measurable progress towards the broader reform priorities of the government and improved efficiency mainly by helping to clear PFM and procurement bottlenecks, innovating on technologies to advance transparency and accountability, improving citizen participation, and building human and institutional capacity to sustain PFM and procurement system reforms over the long term. Among the few shortcomings were the lack of TA to familiarize the government officials with the logistics of the DLI's given that this was the country's first PforR, and the absence of discrete targets at the federal and provincial levels.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

PDO 1: To improve PFM for better management and accountability in service delivery for health and education sectors.

Rationale

Theory of Change. The Program would achieve PDO 1 by simplifying PFM processes and supporting legal and institutional reforms. This would be achieved by reducing the variance in functional expenditure composition for health and education to improve reliability of the budget (DLI 1); and reducing the cash held outside the Recipient's TSA (DLI 2). This would be facilitated by key activities such as approving Pakistan's first PFM Act of 2019 that would provide the legal basis for PFM reforms, standardize expenditure controls, and capacity building, as well as activities such as the implementation of a special survey of government bank accounts, setting up a cash management policy and accounting framework for TSA consolidation, online bill submission and EFT, and timely automated bank reconciliation to reduce the cash held outside the TSA.

The Program would also achieve PDO 1 by aligning information and identification numbers for primary school teachers and health workers related to their place of work and salaries (DLI 4); and authenticating pensioners, disaggregated by gender, against the National Database and Registration Authority (NADRA) computerized national identity card (DLI 5). This would be achieved by key activities such as the establishment of biometric identification and linkage to NADRA, linkages with the EMIS and the HMIS, digitizing service books and setting up the Pension Management Information System.

The Program would also achieve PDO 1 by increasing the number of audit recommendations processed through the AMIS (DLI 6); and increasing citizen access to key fiscal information on health and education (DLI 7). The key activities that would facilitate these included establishing the AMIS Wing and Financial Transactions audited through Computer Aided Audit Tools, guidelines/MoUs for the selection of Civil Society Organizations (CSOs), publishing guidelines on Citizen Participatory Audits (CPA), and establishing performance audits conducted through CPA. Other activities included instituting an Open Data Readiness assessment (ODRA), an ISDR template, and an Open Public Finance data Portal.

The Program would also achieve PDO 1 by attaining fiscal performance and service delivery indicators in the provinces (DLI 8). This would be accomplished by establishing a Fiscal Coordination Committee to facilitate coordination between provincial and federal governments, developing a Performance Grant Framework and performance indicators to reward health and education practitioners, establishing innovation award criteria and innovation proof of concepts. The ultimate outcome sought was improved PFM processes in all provinces to facilitate an enabling environment for PFM in service delivery.

The achievement of PDO 1 is based on the efficacy of 7 DLIs and 4 PDO outcome indicators. The evidence is further triangulated with the achievement of 10 Intermediate Result Indicators (IRIs) - IRIs 1 – 8, and IRIs 15-16. The 4 PDO indicators were similar or identical to the 4 DLIs.

The four PDO indicators targeted to reducing the variance between the originally approved budget and expenditure (same as DLI 1), reducing cash held outside the Recipient’s TSA (same as DLI 2), increasing the percentage of audit recommendations processed through the AMIS (same as DLI 6) and increasing the percentage of fiscal performance and service delivery indicators met by the provinces (same as DLI 8) would, like the DLIs, contribute to the achievement of PDO 1.

In short, a strengthened legal framework enabled by Pakistan’s first PFM Act of 2019 and internal management systems provided Pakistan a legal basis for PFM reforms, led provinces to establish PFM laws, improved budget preparation, reduced unapproved projects, and reduced arbitrary allocations. The program also improved efficiency in payments for service delivery through digital payments and fiscal savings through TSA; digitized pensions payments and payroll to improve resources management; enhanced transparency in audit; and reduced manual processes that curbed paper and fuel usage, lowering the PFM carbon footprint. The combination of these activities led to improved PFM for better management and accountability in service delivery for the health and education sectors.

Key Inputs/Outputs

- Pakistan’s first PFM Act of 2019 was established.
- Steps in standardized expenditure controls reduced from 22 steps to 3 steps.
- 51% of vouchers were exempted from pre-audit and cleared within 24 hours.
- Savings of PKRs 10.9 billion in 8 months of TSA rollout.
- Delays in vendor payments were reduced from 27 to 4 days.
- Delays in pension payments reduced from 90 days to 1 day.

- 22,000 ghost pensioners were removed from the scroll thanks to biometric verification.
- 2.5 million pensioners received payments directly in their bank accounts (20% (500,000) were women).
- Payroll information of six million employees was made accessible on an online dashboard.
- AMIS was established and audit reports were published.
- Guidelines on Citizen Participatory Audits were prepared and published.
- Citizen dashboards and citizens' budgets were published on the FD website.
- A Fiscal Coordination Committee was established, and the Performance Grant Framework was developed.

DLIs and PDO Outcome Indicators

There were seven DLIs (DLIs 1-8, except DLI 3), that contributed to PDO 1. Four DLIs were similar but not identical to the PDO indicators.

DLI 1/ PDO indicator 1 were similar and referred to the reduction of variance in functional expenditure composition for the health and education sectors to improve reliability of the budget at the federal and provincial government levels (ICR, Annex 1A and 1B). DLI 1 focused on the variance at the federal level while PDO indicator 1 focused on the variance at the provincial level. **Baseline**: Variance in: Health 43%; Education 30%. Variance in health and education for fiscal year 2016-17 for the federal and provincial governments: Federal: 26%; Punjab: 21 %; Khyber Pakhunkhwa: 29%; Sindh: 11%; Baluchistan: 10% (ICR, Annex 1A); **Original Target for Health and Education:** less than 10% (Annex 1B, p. 31). **Original/ Revised Targets:** 10% (ICR, p. 18 notes the same target); **Actual achieved at completion**: No information is reported for the variance in the individual sectors (See Annex 1B, p. 31-32). The combined average variance for the education and health sectors was Federal: 9.65%; Punjab: 14%; Sindh: 10%; KPK: 17%; Baluchistan: 7% The target was achieved at the Federal level (DLI 1 achieved), as well as at the provincial levels in Sind and Baluchistan, but the target was missed in the provinces of Punjab and Khyber Pakhtunkhwa largely due to catastrophic floods. As the Actual target was met for DLI 1 but only partially achieved for PDO indicator 1, a rating of **Modest** is assigned to DLI 1/ PDO indicator 1. They contributed to PDO 1 by reducing the variance and improving the relationship between PFM plans and budgets.

DLI 2/ PDO indicator 2 referred to the reduction in cash held outside the Recipient's TSA. **Baseline**: 753,084 government accounts in commercial/scheduled banks with a total balance of PKR 1.584 trillion (Annex 1B)/ (FY 2016-17) federal government deposits of PKRs 0.916 trillion parked in commercial bank accounts of which PKRs 0 billion was brought into the TSA (Annex 1A); **Original and Revised Target**: 15% of the baseline or PKRs 150 billion brought into the TSA. The Revised Target focused only on federal government accounts. **Actual achieved at completion**: PKRs 152 billion of funds brought into the TSA through a sweeping arrangement resulting in significant cost savings (estimated at PKR 9 billion in interest expenses during the last 8 months of the Program) for the government. The Target was modestly exceeded and is rated **Substantial**. DLI 2/ PDO indicator 2 contributed to PDO 1 by ensuring that all funds went to the TSA and simplifying expenditure authorization rules to allow timely spending by service delivery practitioners.

DLI 4 referred to the percentage of alignment of information and identification numbers for individual primary school teachers and health workers related to their place of work and salaries. After restructuring, DLI 4 was broadened to align with the Human Resource Management Information System (HRMIS) and the Integrated Financial Management Information System (IFMIS) from two pilot districts to all four provincial and federal levels. **Baseline**: Individual data in the OM was not aligned with data in EMIS and HMIS; **Target**: 80% of primary school teachers and health workers tagged; **Actual:** 80% achieved at completion but by only one of the four provincial governments - **Modest**. DLI 4 contributed to PDO 1 by integrating the EMIS, the HMIS, and the FABS to track resources to their end use in one province.

DLI 5 referred to the percentage of pensioners, disaggregated by gender, authenticated against the National Database and Registration Authority (NADRA) computerized national identity card, paid through the Direct Credit Scheme (DCS) no later than the following pension payment cycle after retirement. **Baseline**: DCS paid 35%; **Target**: 90%; **Actual achieved at completion**: 90% exceeded DLI 5 is rated **High** as the target was surpassed and the DCS system was replicated across the country. An additional US$500,000 was disbursed for each additional 1% achieved above the target of 85% (Annex 1B, p. 43). DLI 5 contributed to PDO 1 through the authentication of pensioners against the NADRA database because most pensioners were from the health and education sectors with their service records maintained manually.

DLI 6/ PDO indicator 3 referred to the percentage of audit recommendations processed through the AMIS. After restructuring, DLI 6 was expanded from covering 2 sectors (education and health) to 6 sectors including four additional sectors — Revenue, Social Safety, Climate, and Public Works. **Baseline**: AMIS did not exist; **Target**: 80% of the audit recommendations for education and health were effectively acted upon and reports published on an official website or by any other means easily accessible to the public; **Actual achieved at completion**: 100% and AMIS was implemented although with shortcomings across all directorates within the Auditor General's Office. The outcome was more comprehensive than the initial aim but was achieved with delays and its impact has yet to be assessed (ICR paras 25 and 29). As an example, the internal audit function was implemented but did not become operational in the Department of Education and remained as pilots in the education and health sectors. Therefore, the achievement of DLI 6 is rated **Substantial.** DLI 6 contributed to PDO 1 as the number of audit recommendations in the health and education sectors processed through the AMIS were effectively acted upon, improving legislative scrutiny and social accountability.

DLI 7 referred to increased citizen access to key fiscal information on health and education. **Baseline**: Budget execution report by economic classification in PDF format. **Target**: ISDR for education and health sectors uploaded in Open Public Finance Data Portal; **Actual achieved at completion**: The Portal was established, and the dashboards were uploaded on the websites of the Ministry of Finance under “Citizen data,” Auditor General and Controller General. The Open Public Finance Data Portal was established. Public access to financial data through citizen dashboards and online portals improved the Open Budget Index Score. The key actions that contributed to this improvement include publishing of audit reports, monitoring reports of the Output Based Budget, pre-budget statements, citizens’ budget, and annual fiscal risk statements. The budget execution reports compelled citizens and government officials to make 137,000 site visits (ICR, p. 46-47 and TTL interview). However, it is unclear whether these achievements apply to all four provinces or only the federal government. The ICR notes: “The Citizens’ Participatory Audit (CPA), with guidelines published, was piloted in one province and two pilots are underway,” (para 25). **Achievement rating Substantial.** DLI 7 contributed to PDO 1 by contributing to transparency and citizen participation in PFM.

DLI 8/ PDO indicator 4 referred to the percentage of fiscal performance and service delivery indicators met by the provinces. **Baseline**: 0%, no existing coordination mechanism existed; **Target**: Award from the MoF provided to the provincial governments for meeting at least 35% and up to 70% of the fiscal performance and service delivery indicators; **Actual achieved at completion**: 74.14%. The provinces adopted citizens’ budgets and enacted PFM laws, and fully implemented Direct Credit of Pension Payments and e-Payment solutions. In general, the provinces adopted the Federal government’s e-procurement system. While the target was exceeded, the ICR does not clarify whether it was achieved by all four provincial governments. While the ICR notes that the e-procurement system was adopted by the provinces, it also notes that KP, Punjab and Sindh demonstrated commitment to it but does not specify whether Balochistan adopted or rejected it. DLI 8/PDO indicator 4 is rated **Substantial.**

Based on the preceding discussion of DLIs, three DLIs out of four that were also PDO indicators are rated Substantial, and one was rated Modest. Out of the remaining three DLIs, one is rated High, one Substantial, and one DLI is rated Modest.

The overall rating for the 7 DLIs and four PDO Outcome indicators is Substantial.

PDO 1 IRIs

The Efficacy of PDO 1 is also assessed by evidence provided by ten IRIs (IRIs 1 – 8, and IRIs 15-16).

IRI-1: Notification of revised updated delegation of power, General Financial Rules, Accounting Policies and Procedures Manual and Chart of Accounts. **Baseline**: Legal Framework for PFM in terms of Law and Subsidiary Rules does not exist. **Target**: Regulatory Framework updated (PFM law, Functions and Powers of PAO, Receipt and Payment Rules, General Financial Rules, APPM and Chart of Accounts). **Actual achieved at completion**: PFM Law of 2019 enacted. Delegation of Power Rules notified, Treasury Rules revised, General Financial Rules updated. Payment procedures updated. However, the New Accounting Manual was not updated. **(Achieved - Substantial)**

IRI-2: Internal Audit arrangements modernized in the health and education departments. **Baseline**: Regulatory framework for the internal audit function does not exist. **Target**: 2 internal audit reports prepared for the Departments of Health and Education. **Actual achieved at completion**: Internal Audit Rules were notified, and 2 internal audit reports were prepared for the Departments of Health and Education. The position of Financial Advisor was eliminated. **(Achieved - Substantial)**

IRI-3: Improve the timeliness of comprehensive financial and nonfinancial reporting by linkage or interface. **Baseline**: Dashboard for fiscal information does not exist. **Target**: Improve the timeliness of comprehensive financial and nonfinancial reporting by linkage or interface of FABS to Departmentalized Accounts and establish interface with SBP, National Bank of Pakistan, Federal Bureau of Revenue (FBR), Central Depository of National Savings (CDNS), Economic Affairs Division (EAD), Pakistan Post Office Department , Pakistan Railways, Public Works Department (PWD)/Communication and Works. **Actual achieved at completion**: Linkages have been established with FBR, CDNS, Pak PWD, Pakistan Post and SBP, whereas linkages with EAD and Military Accountant General are in process. Customized dashboards were prepared for Budget and Expenditure Wing of MoF. The dashboards are available on the website of the MoF. These are updated at least once a month. **(Achieved - Substantial)**

IRI-4: Approved Cash Management Policy with accounting framework for daily consolidation of all government. **Baseline**: Regulatory framework for Cash Management does not exist. **Target**: Cash Management Policy approved by the Cabinet and Secretary of Finance approved a framework for implementation of TSA. **Actual achieved at completion**: Cash Management Policy approved by the Cabinet. Secretary Finance has also approved a framework for implementation of TSA. TSA Rules were notified and the PFM law mandated establishment of a cash management function. Accounting procedure for sweeping of TSA was also notified. **(Achieved - Substantial)**

IRI-5: Reports of PAC hearings on audit report on annual financial statements are published on the website. **Baseline**: Reports of PAC hearings on audit report on annual financial statements do not exist. **Target**:

Reports of PAC hearings on audit report on annual financial statements are published. **Actual achieved at completion**: PAC sessions are open to media and the audit reports are widely publicized through new reporting. Since 2019, at the direction of PAC, the AGP published all the audit reports on its website. **(Achieved - Substantial)**

IRI 6: Financial transactions of health and education function recorded in FABS audited through Computer AI. **Baseline**: 0%. **Target**: 80%. **Actual achieved at completion**: 100%. IT center established and Audit Command Language (ACL) software acquired. Officials were re-trained in ACL and financial transactions of the health and education sectors were subjected to ACL audit. The AGP procured an additional software QLIK for data analytics. The automated system runs on the entire payroll data on a real-time basis and any suspicious transaction is automatically singled out. **(Achieved - Substantial)**

IRI 7: Citizen Portal set up to facilitate CPA, including fraud hotline for feedback. **Baseline**: Citizen Portal did not exist. **Target**: Citizen Portal was established. **Actual achieved at completion**: CPA Portal on the website of the AGP is operational. **(Achieved - Substantial)**

IRI 8: Citizen Participatory Audit reports that cover indicators in the ISDR published. **Baseline**: 0.0. **Target**: 8 performance audit reports are published. **Actual achieved at completion**: The Auditor General notified that all Directors Generals should undertake at least one performance audit by using the CPA. For the fiscal year ending 2021, 12 performance audit reports are published covering topics such as elementary education and health. Citizens are engaged at the time of audit planning and identification, but not for the entire cycle. **(Achieved - Substantial)**

IRI 15: Incentive system by the FCC to improve fiscal performance and service delivery in selected areas. **Baseline**: No. **Target**: Yes. **Actual achieved at completion**: Performance Grant mechanism was notified by the council of ministers in 2019. This has helped with the replication of PFM reforms in the provinces. **(Achieved - Substantial)**

IRI 16: Innovative applications used to report and account for funds utilized. **Baseline**: 0. **Target**: 4. **Actual achieved at completion**: MIS for procurement was developed in Punjab and piloted in the federal Ministry of Education. The Punjab Education Department developed FMIS which is being integrated with the IFMIS. Online bill submission was piloted in the ministries of health and education at the federal level. The e-stamping system was replicated across all provinces. **(Achieved - Substantial)**

All IRIs targets were achieved. Based on the evidence provided, their overall Efficacy rating in support of PDO 1 is Substantial.

The Efficacy of PDO 1 is rated **Substantial** on the basis of the achievement ratings of 7 DLIs, triangulated by the achievement ratings of four PDO Outcome indicators and 10 IRIs. The PforR operation succeeded in creating institutional change by facilitating Pakistan's first PFM Act of 2019 that provided the legal basis for the PFM reforms, that, in turn, led the provinces to establish PFM laws, redress PFM constraints to service delivery, and create an enabling environment for improved service delivery. The program improved efficiency in payments for service delivery through digital payments and fiscal savings through TSA. As an example, the TSA consolidated over PKR 152 billion (around US$550 million), exceeding targets and saving PKR 10.9 billion (US$32 million) in interest by 2023. Electronic funds transfer (EFT) and online billing systems reduced payment time from 27 to 5 days. The program also digitized pension payments and payroll to improve resources management, enhanced transparency in audit through the establishment of the AMIS, and improved public access to financial data through citizen dashboards and online portals. AMIS made 40,000 audit recommendations transparent and helped recover US$1.6 billion in FY2023. The program also promoted institutional strengthening and coordination between federal and provincial governments setting up a council of ministers to coordinate PFM reforms across the federal and provincial levels and introduced a performance grant mechanism to unify reforms countrywide.

Rating
Substantial

OBJECTIVE 2

Objective
PDO 2: To improve procurement systems for better management and accountability in service delivery for health and education sectors.

Rationale
Theory of Change. The Program would achieve the PDO of improving the procurement systems for better management and accountability in service delivery in the health and education sectors by increasing the number of vendor contracts processed through the Recipient's e-procurement system (DLI 3). This would be achieved by key activities such as an e-procurement system that would reduce bureaucratic delays and dispute resolution time, amendment of procurement rules, linking procurement plans and budgets, developing procurement guidelines, developing Standard Bidding Documents and Price Norms, providing training for accreditation of procurement staff and committee members, training users and registering vendors, reducing litigation times and making declarations on beneficial ownership mandatory.

Like the DLI 3, the PDO indicators targeted towards increasing the percentage of vendor contracts processed through the Recipient's e-procurement system would contribute to the achievement of PDO 2.

In sum, legal reforms in procurement, and the establishment of an e-procurement system to tackle inefficiencies in procurement and reduce bureaucratic delays led to improved procurement systems for better management and accountability in service delivery in the health and education sectors.

Key Inputs/ Outputs

- E-procurement system was rolled out.
- E-procurement guidelines and standard bid documents were developed.
- 7,500 users were trained.
- 2,700 vendors were registered.
- Litigation time was reduced from two years to 70 days.
- Beneficial ownership declaration was made mandatory.

The achievement of PDO 2 is based on the efficacy of one DLI (DLI 3) and one PDO indicator. They were similar. This evidence in this discussion is further triangulated with the achievement of 6 IRIs (IRIs 9 – 14).

DLIs and PDO 2 Outcomes Indicator

DLI 3/PDO Outcome indicator 5 referred to the percentage of vendor contracts processed through the GoP's e-procurement system. DLI 3 initially focused on e-procurement in all sectors, but later prioritized health and education. **Baseline**: 0.0%; Original **Target**: 90%; **Revised Target:** 50 – 90%. **Actual achieved at completion**: 100% of entities in the Health and Education sectors were processed through the e-procurement system. In addition to these two sectors, the system was implemented in 17 departments of the federal government in addition to health and education. It was also implemented in the provinces. However, the e-procurement system faced delays. The program exceeded the targets by closure, but the remaining timeframe was inadequate for a comprehensive impact evaluation. As a result, even though the revised target was eventually exceeded, DLI 3 is rated **– Substantial**. DLI 3 contributed to PDO 2 by requiring vendor contracts to be processed through the Recipient's e-procurement system which contributed to better PFM management and accountability for service delivery.

PDO 2 IRIs

The Efficacy of PDO 2 is also assessed by evidence provided by 6 IRIs (IRIs 9 – 14).

IRI 9: Number of departments with vendor claims for health and education departments paid at accounting offices electronically. **Baseline**: 0. **Target**: 4. **Actual achieved at completion**: 34. Guidelines for simplifying payment authorization procedures developed by CGA and approved and notified by the AGP. The EFT and online billing system reduced the payment time from 27 to 5 days. A separate channel for petty expenditures was also introduced (31% of the petty expenditures in the health and education departments of the federal government and 52% of expenditures in the government of Punjab were exempted from pre-audit requirements). During October 2023, transactions from more than 250 departments were paid through EFT, out of which at least 34 departments related to health and education. **(Achieved - Substantial)**

IRI 10: WB reconciliation of all active government bank accounts in the TSA takes place at least monthly. **Baseline**: 8 weeks. **Target**: 4 weeks (monthly). **Actual achieved at completion**: 4 weeks. For the entities which migrated to EFT solutions, the reconciliation was in real time. **(Achieved - Substantial)**

IRI 11: Percent of budget derived from procurement plans in selected federal ministries of health and education**. Baseline**: 0 percent. **Target**: 100 percent. **Actual achieved at completion**: 100 percent. Before the budget demand, all procurement plans for the ministries of health and education were uploaded onto the system. **(Achieved - Substantial)**

IRI 12: Databases or records are maintained for contracts, including data on what has been procured. **Baseline**: 0 percent. **Target**: 50 percent. **Actual achieved at completion**: 100 percent. Under the Program, the database has been digitized using AI. The data is now available on the Public Procurement Regulatory Authority (PPRA) website in machine readable format. Contract data of all selected entities are archived in the e-Procurement system. The selected entities are under the federal ministries of education and health. **(Achieved - Substantial)**

IRI 13: E-procurement guidelines issued and Supplier Relations Management Module is operational in the health and education sectors**. Baseline**: 0. **Target**: 2. **Actual achieved at completion**: 2. The system's operational and guidelines are issued. **(Achieved - Substantial)**

IRI 14: End user training in e-Procurement systems**. Baseline**: 0. **Target**: 80. **Actual achieved at completion**: 9,500 persons were trained. Extensive end user training was conducted in federal and provincial governments. **(Achieved - Substantial)**

The government decided to replicate the system across all federal and provincial governments. A large number of end users as well as vendors had to be trained. The total number was 9,809, of which 9.65 percent were women.

On the basis of this discussion of the IRIs, the overall rating for the IRIs supporting PDO 2 is Substantial.

The achievement of the DLI, PDO outcome indicator and the IRIs jointly support an efficacy rating of **Substantial** for PDO 2. The Program developed an e-procurement system targeting the health and education sectors originally but was later extended to all sectors and provinces. The systems improved the dispute resolution time from 18 months to 70 days. Over 7,500 procurement agents were trained countrywide. Although an impact assessment could not be conducted due to insufficient data, focus group discussions revealed that more than two thirds of the participants recognized that the new system improved transparency, efficiency and user-friendliness and improved the bidding process. The Program was expanded to Khyber Pakhtunkhwa, Punjab, and Sindh.

Rating
Substantial

OVERALL EFFICACY

Rationale
Based on the Program's achievement supporting PDO 1 and PDO 2, the Overall Efficacy rating is Substantial. Despite the significant impact on the overall efficacy of PFM, and impressive institutional development in the PFM area, there were certain shortcomings. For example, while important achievements were made with respect to the internal audit function in the AGP's office, and the guidelines were published for the CPA, the latter did not become fully operational in the Department of Education and remained as a pilot in both health and education sectors. The e-procurement system faced delays and although the program exceeded the e-procurement target by closure, the remaining timeframe was inadequate for a full-fledged impact evaluation (ICR, para 29).

The focus of the Program was clearly on the PFM bottlenecks to service delivery as evidenced in the Results Framework, the DLIs and the PAD. Since the sequencing of the interventions was not clear, implementation was undermined by the lack of a sequencing strategy. The targets for the federal and provincial government levels were also not specified. As a result, it is unclear whether achievements at the provincial level apply to all four provinces or just one. The timeframe was severely insufficient for an ambitious PDO and the largescale reforms that were aligned with the Government of Pakistan's 15-year PFM Reform Strategy.

Rating

Substantial

5. Outcome

The relevance of the Program's objectives was **Substantial** as they were strongly aligned with the country context in which the service delivery functions for the health and education sectors were devolved to the provinces. The relevance of the Program's objectives was also aligned with the goals of the GoP's 15-year PFM Reform Strategy, the WB's CPS and the IDA 18 Commitment. Although the DLIs and PDO outcome indicators together with the IRIs support the substantive achievement of PDO 1 and PDO 2, due to moderate shortcomings, the overall outcome is rated **Moderately Satisfactory.**

Outcome Rating
Moderately Satisfactory

6. Risk to Development Outcome

The main foreseeable challenges to the sustainability of the reforms introduced by the Program relate to the continued implementation of the e-procurement systems, including the need for sufficient HR capacity, the need for committed and visionary leadership that will sustain the pace of the reform, the governance arrangements in the PPRA, the need to overcome bureaucratic impediments, and the ability of the GoP to maintain and update the new e-procurement system countrywide. There is also a risk that despite the PFM reforms, they do not translate into tangible impacts on health and education service outcomes. Due to insufficient time, the Program could not evaluate outcomes on the ground. Nevertheless, two other WB projects, namely, Punjab Resource Improvements and Digital Effectiveness (PRIDE) and Khyber Pakhtunkhwa Spending Effectively for Enhanced Development (SPEED), introduced complementary reforms in the provinces and partially mitigated these risks. These programs also focused on addressing bottlenecks in health and education and included e-procurement.

The ICR points to the need that future operations include a pathway to ensure that reforms have a measurable impact on the quality of health and education services.

7. Assessment of Bank Performance

a. Quality-at-Entry

From a positive lens, the PforR operation built successfully on the previous PFM reform efforts by the GoP and responded to the new challenges under the 18th Constitutional Amendment (2010) that devolved health and education service delivery to the provinces. A PEFA assessment and a PIFRA were implemented prior to the Program and informed it. Additionally, the WB had five ongoing health and education operations aimed at directly improving service delivery outcomes. This enabled the WB team to develop both a deeper understanding of the issues and challenges confronting the PFM bottlenecks in health, education and decentralized service delivery. This also helped the team to forge a close working relationship with the client. The Program thus drew and built upon the GoP's PFM Reform Strategy (2018-2027), prior WB experience with PFM in the health and education sectors and benefitted from the GoP's commitment and multiple stakeholder's contributions in its design.

The Program was the first PFM reform operation in Pakistan to employ the PforR instrument. The decision to use the PforR instrument was informed by an understanding that an appropriately incentivized system-wide change management approach was required and a traditional investment project could not achieve this objective. The Key Result Areas were priorities of the GoP's Program and PFM Reform Strategy. The Results Framework was aligned with the output-based budgeting (OBB) system of the implementing agencies, the DLIs were carefully crafted to ensure they were realistic and achievable, and the implementation arrangements were organized under the leadership of the Finance Division (FD) and had a Program Implementation Cell (PIC) established at the onset of implementation.

The WB's PFM expertise and its understanding of the country context helped. The WB's co-Task Team Leader (co-TTL) became the Accountability and Decision-Making (ADM) TTL throughout implementation and ensured sustained support because of his presence in the country. In the absence of a TA component, the task team's substantial support and the presence of the ADM TTL in the country helped collaboration.

The Program's design had several shortcomings that surfaced in the early stages of implementation and became a challenge for the client. The design was too complex including a two-level broad and ambitious PDO. For a first-time PforR, the number of DLIs, PDO indicators and IRIs to be achieved was excessive, especially when applied to a PFM Program designed for a 15-year period. It is not clear to what extent it was useful to have a two-level PDO (PDO 1 and PDO 2) after the PAD emphasized PDO 1 that included most of the indicators. The ambitious PDO posed the greatest challenge for the initially overoptimistic timeframe. An additional factor was the variable capacity of the four provincial governments that were expected to apply all components and pursue similar objectives. The complex design and ambitious timeframe both led to the project's problem status which arose partly because the client (federal and four provincial governments) was learning about the project while implementing it without the benefit of technical assistance (TA) which accompanies most projects in a similar country context and is instrumental in building capacity and facilitating learning.

The health and education indicators were largely absent from the Program's design without any explanation in the ICR. The ICR notes the relevance of the procurement DLIs but does not differentiate between the targets and achievements at the beneficiary sector level such as health and education.

A TA component and a Project Management Unit were two important requirements missing from the Program's design. The client had limited knowledge of the PforR instrument as it was the first in Pakistan. It was also a complex and large-scale Program designed to be rolled out over a 15-year period. In the section on Key Factors During Implementation, the ICR reports that the absence of a TA component and a PMU exacerbated delays in implementation. According to the Virtual Quality Enhancement Review of the ICR (April 9 to April 17, 2024), the interviews with stakeholders also confirmed that a TA could have helped to avoid delays, including at the stage where the PPRA was struggling to draft the Request for Proposals (including the requirements for the e-procurement system). According to the Program team, at the Program design stage, the guidelines for PforRs were still being developed and there was an aversion to a hybrid PforR. During approval, the team was not authorized to proceed with a TA component due to a corporate decision.

In addition, the PDO lacked targets for the federal and provincial levels which made it difficult to gauge whether they were achieved by all four or only one provincial government. This later required modifications in the coverage of some DLIs. For a first PforR for Pakistan that was also responding to the new political challenges under the 18th Constitutional Amendment (2010) that devolved health and education service delivery to the provincial government level, the Program clearly had an overambitious schedule and a large array of targets which negatively affected the Program's quality-at-entry.

The IEG assessment of WB performance on quality-of-entry is **Satisfactory**.

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

There was regular engagement with the government counterparts, fostering trust and collaboration that were further enhanced by the permanent presence of the co-Task Team Leader (TTL) in the country. The WB conducted at least ten Implementation Support Missions (ISMs), one MTR, several regular meetings between the ISMs, and regular virtual meetings during the COVID-19 pandemic. The team prepared the Implementation Status and Results Reports (ISRs) for every mission and filed Aide Memoires and Management Letters routinely to ensure continuous monitoring of progress. The Program was in a problem status for almost two years between March 2020 and December 2021. In addition to the COVID-19 pandemic-related delays and disruptions, the ambitious schedule and complexity of the first PforR Program posed a variety of difficult challenges and risks for the Program. As the ICR (para 44) aptly notes, robust supervision and restructurings successfully turned the Program around in 2022. Supervision was highly commendable during the remainder of the Program's implementation. The third-party verification protocol was strong and important in the absence of a PIC.

Overall, the quality of supervision is assessed as **Satisfactory**.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

8. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E framework linked the DLIs, the PDO indicators, and the intermediate indicators (IRIs). All PDO indicators were DLI indicators and the IRIs helped in triangulating the evidence for achieving the DLIs and PDOs. However, the design lacked an M&E plan which would have strengthened capacity in the absence of a TA component.

The M&E arrangements were appropriate and clearly established in the ToC. The Results Framework provided a roadmap to measure progress toward objectives and was in line with the outcomes-based budgeting (OBB) of the implementing entities, making the M&E design efficient and sustainable. The Program was designed to use formal country systems' structures through the Program Implementation Cell (PIC) to ensure that the responsibility for meeting the DLIs was within the mandate of the assigned implementing agencies. The implementation of each component (KRA) was supervised by the Controller General of Accounts (KRA 1 & 3), F-PPRA (KRA 2), DAGP (KRA 4) and FD (KRA 5) (PAD, p. 39). The FD had overall responsibility for coordinating, monitoring, and reporting on the Program's results indicators.

b. M&E Implementation

Based on the ICR, the M&E arrangements worked well during implementation, and data collection and reporting were well structured. The FD coordinated and reported on results and had a reform minded leader that managed data coordination and accelerated the pace of implementation. Coordination was strong between all implementing agencies. However, one of the main challenges during implementation was the absence of an M&E plan and an M&E Specialist, although, according to the ICR, it did not affect the quality of the M&E. A Program Management Committee also monitored the progress of the DLIs and the third-party verification agency (TPVA) was instrumental for maintaining integrity and stakeholder trust in particular given that a PIC had not been created. The TPVA verified results and submitted annual verification reports which, according to the ICR, ensured timely disbursements against the achievement of the DLIs.

c. M&E Utilization

The M&E system of the Program informed operational and policy decisions, including the various restructurings from the federal to the provincial levels. The GoP discussed progress regularly with the WB and kept the WB's team informed through regular meetings. Data from M&E guided the implementing agencies in submitting annual performance reports against their Output-Based Budgeting (OBB) to the FD which, in turn, contributed to the Annual Performance Monitoring Report for the Parliament. Data from M&E, such as the results from the implementation of the DLIs, also guided the provinces in implementing similar reforms such as the e-procurement and pension systems.

Overall, the quality of design, implementation, and utilization of M&E is assessed as being **Substantial**.

M&E Quality Rating

Substantial

9. Other Issues

a. Safeguards

The Program was assessed to have no environmental and social risks at the outset and remained so throughout implementation. The Program did not trigger any social or environmental safeguards and policies. According to the ICR (para. 41), the assessment at appraisal concluded that the DLIs did not comprise activities that would negatively impact the population, or that required land acquisition and would cause any physical or economic displacement.

b. Fiduciary Compliance

Fiduciary Risks were assessed as Substantial at the outset, and the quality of fiduciary performance was assessed as adequate by the ICR.

According to Annex 5 of the PAD, the Fiduciary Systems Assessment (FSA) covered financial management, procurement, grievance and complaints mechanisms, fraud, and corruption risks associated with the Program. The FM risks and mitigation measures were included for entity and program level, legal and institutional framework, planning and budgeting, funds flow, accounting and financial reporting, internal control, and audit and oversight risks. The procurement risks and mitigation measures were included for procurement planning, standard procedures, procurement documents, procurement capacity, and compliance and oversight risks. The assessment concluded that the PFM system complemented by the program-specific mitigation measures was adequate to support the operation.

The Program achieved all the legal covenants concerning mitigation of fiduciary risks and mitigation measures were implemented in the Program Action Plan (ICR, para 42). The Program relied on country PFM systems (including procurement) to provide reasonable fiduciary assurance. The ICR (para 42) reports that a high-level PFM Reforms Steering Committee provided continuous oversight, including fiduciary matters, and the TPVA reported that the FM systems were adequate. All project audit reports were presented and acceptable, sometimes with minor delays.

c. Unintended impacts (Positive or Negative)

None.

d. Other

N/A

10. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

11. Lessons

This was the first PforR Program in Pakistan, in the South Asia region of the WB, and in the federal and provincial government administration sectors. The ICR offers two lessons. IEG agreed with them but would like to add one on program complexity.

Successful program implementation, especially in a first-of-its-kind PforR, can be compromised if the original program design is not simple. The Pakistan PFM PforR Program had a complex, wide-ranging, two-level PDO that was applicable at the federal and four state-government levels with diverse capacity, and covered PFM for greater accountability in service delivery as well as improvement in procurement systems. As the PforR was being used for the first time in Pakistan, government officials were tasked with simultaneously implementing the Program while also learning about it, and striving to meet a large array of targets set by eight Disbursement-Linked Indicators, five PDO outcome indicators, and 16 IRIs. The Program experienced a two-year implementation delay, resulting in a "problem project status" during its early stages. This delay underscores the benefits of a simpler initial design. A simpler design from the outset can be useful in preempting initial delays, fostering a more productive learning experience and enabling gradual and longer-lasting capacity building at the federal and state government levels.

Complex reform programs need to plan for adequate implementation time to allow the achievement of outcomes. The Pakistan PFM PforR Program's successful implementation was undermined by an inadequate timeframe at the design stage and the lack of a sequencing strategy. The original timeframe was insufficient for an ambitious PDO and the largescale reforms that were aligned with the government's 15-year PFM Reform Strategy leading to the extension of the Program's closing date by two years. Building institutional capacity is a long-term process. The ICR (para 34) noted that the Program experienced delays, mainly due to its nature and scale of reforms requiring multi-stakeholder coordination across federal and provincial levels, as well as a lack of dedicated HR capacity. At least five steering and management committees were established but staff in the implementing entities struggled with daily management issues. The ICR also noted that the project period was insufficient to manifest tangible improvements in the health and education sector outcomes (para 45), and that a sequencing strategy would have helped leverage the progress achieved.

A first-of-its-kind PforR can benefit significantly from a TA component. The Pakistan PFM PforR was the first in the country and the client and stakeholders had little knowledge of its approach, challenges and logistics. These collectively undermined the Program's implementation as the client required time to understand the instrument. A TA component and training on the PforR instrument for the client and other stakeholders would have been useful to avoid delays in implementation. The ICR (para 48) mentioned that the WB's substantial support was positively embraced by stakeholders, but a TA component would have more effectively built institutional capacity, particularly in change management, M&E, trainings, and impact evaluations.

12. Assessment Recommended?

No

13. Comments on Quality of ICR

The ICR provided a clear and complete overview of the Program. The TOC showed how the program aimed at overcoming PFM bottlenecks in the health and education sectors in Pakistan through eight DLIs, including procurement issues that impacted funds for service delivery.

The evidence supporting the results of the Program was synchronized with the independently verified indicators that triggered the disbursements. The ICR narrative supported the ratings using the results framework. The justifications for the ratings were summarized under each section of the report. The lessons for consideration in future PforR programs were also clearly informed by this Program. The annexes further clarified the results of the operations.

The summary of the Virtual Quality Enhancement Review conducted for the ICR (April 9-17, 2024) provided additional guidance on the Program's storyline, ratings and lessons learned.

However, the ICR has the following shortcomings:

- The ICR interprets the focus of the Program's PDO as addressing PFM bottlenecks to service delivery in Pakistan's health and education sectors but fails to report the actual or expected outcome for the individual sectors. Instead, the reported outcomes are combined for both sectors. As stated in the FA, p. 5, the PDO is a compound statement: *"To improve public financial management and procurement systems for better management and accountability in service delivery for health and education sectors" that needs to be "unpacked" to recognize the relevance of each promised outcome.*
- The discussion in the ICR focuses well on the relevance of the DLIs in the context of their contribution to the PFM constraints but not their implications for the two PDOs. The methodology of this section is important as it has implications for the Overall Relevance Rating for the PDOs and DLIs.
- In the ICR, the overall rating of Efficacy as "Substantial" is supported under the conclusion that "the Program achieved nearly all its objectives, albeit with implementation delays." Despite the ICR discussion on the achievement of both PDO Outcomes, it is not clear how each PDO was assessed for the ICR and contributed to the "Substantial" rating (ICR, para 29).
- While the ICR highlighted how the Program responded to the priorities of the federal government, it should have also discussed in more detail how the targets were achieved at the provincial levels. Similarly, the ICR could have shed more light on PFM coordination between the federal and provincial government levels as improving federal-provincial coordination was a key bottleneck to be addressed by the government's PFM reform (ICR, para 4).

- The ICR notes the evolving country context, including flooding, and the COVID-19 pandemic as external factors that disrupted the Program's implementation. Given that the WB provided consistent support and conducted at least ten ISMs and an MTR (on average two missions per year) to ensure monitoring of progress, the ICR should have explained the relevance of these external factors to the achievement of the Program's objectives and whether the government's commitment to the Program was affected by these exogenous factors.

a. Quality of ICR Rating

Substantial