



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FIDUCIARY SYSTEMS ASSESSMENT

FOR THE  
SUPPORTING ANDHRA'S LEARNING TRANSFORMATION PROGRAM  
P173978

Governance Global Practice  
South Asia Region



### ABBREVIATIONS AND ACRONYMS

A.P.	Andhra Pradesh
APEWIDC	Andhra Pradesh Education & Welfare Infrastructure Development Corporation
APP	Annual Procurement Plan
APSSS	Andhra Pradesh Samagra Shiksha Society
BE	Budget Estimate
BRCC	Block Resource Centre Coordinator
CA	Chartered Accountant
CAG	Comptroller and Auditor General
CFMS	Comprehensive Financial Management System
CRCC	Cluster Resource Centre Coordinator
CwSN	Children with Special Needs
DDO	Drawing and Disbursing Officer
DIET	District Institute for Education and Training
DLI	Disbursement Linked Indicator
DoE	Department of Education
DoSE	Department of Secondary Education
EEP	Eligible Expenditure Program
eGP	eGovernment Procurement
FD	Finance Department
FM	Financial Management
FM&P	Financial Management & Procurement
FSA	Fiduciary Systems Assessment
FY	Financial Year
GeM	Government eMarket Place
GO	Government Order
GoAP	Government of Andhra Pradesh
Gol	Government of India
IA	Internal Audit
IBRD	International Bank for Reconstruction and Development
IFMIS	Integrated Financial Management Information System
IPF	Investment Project Financing
IT	Information Technology
KPI	Key Performance Indicator
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
OPRC	Operational Procurement Review Committee
PAP	Program Action Plan
PC	Parents Committee
PD	Personal Deposit
PFM	Public Financial Management
PforR	Program for Results
PIU	Project Implementing Unit
POM	Program Operations Manual
RA	Result Area
SALT	Supporting Andhra's Learning Transformation



SCERT	State Council of Educational Research and Training
SFR	State Finance Rule
SIEMAT	State Institute of Educational Management and Training
SMC	School Management Committee
SS	Samagra Shiksha
STMS	School Transformation Monitoring Software
TA	Technical Assistance
TLM	Teaching Learning Material
TOR	Terms of Reference



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## I. Introduction

1. **Based on the FSA, fiduciary risk of the Program is assessed as Moderate. To strengthen the existing systems of the Implementing Agencies (IA) and to mitigate fiduciary risk, various action items are recommended as part of the PAP.** As part of program preparation, the World Bank carried out an Integrated Fiduciary System Assessment (FSA) of the program, to determine whether the fiduciary systems provide reasonable assurance that funds will be used for the intended purposes. The conclusion of the FSA is that the capacity and performance of the fiduciary systems of all IAs are adequate to provide reasonable assurance that the program funds will be used for the intended purposes with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.

2. **Procurement Exclusions:** The Program is not expected to procure any high value contracts<sup>1</sup> valued at or above Operational Procurement Review Committee (OPRC) thresholds (US\$115 million for works, US\$75 million for goods and non-consulting services, and US\$30 million for consultant services). As per data provided in para 26 it is observed that average contract price is around US\$8.5 million and is not expected to increase substantially based on the Program. High value contracts under the Program shall be monitored during the supervision missions to ensure that the Program is in conformity with the Bank's policy on high value contracts in Program for-Results Financing.

3. **Scope of the FSA:** The objective of fiduciary system assessment of the arrangements under the Program is to conclude that the systems for financial management, procurement, and mitigating risk of fraud and corruption meet the requirements of the Bank's PforR Policy & Directive and are adequate for achievement of the Program objectives. The FSA has been conducted in accordance with the principles governing PforR programs as set out in the PforR Policy and other World Bank's internal guidelines. The FSA focused on determining whether the Program systems provide reasonable assurance that financing proceeds will be used for the intended purpose with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The salient features of the Program are: the Program uses the Government of Andhra Pradesh (GoAP)'s own procurement and financial management systems; the Program seeks to strengthen some of these systems; and the number of contracts and the value of expenditure under the Program is relatively small when compared to the scale of operations of the GoAP's department/ agencies involved. Program financial management systems have been assessed for the effectiveness of planning, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing procedures. The Program procurement systems have been assessed for effectiveness of the procurement planning, bidding, evaluation, contract award, and contract administration procedures. The FSA has also assessed how Program systems address the risks of fraud and corruption and have mechanisms to redress complaints. The FSA reviewed the existence and adequacy of existing rules, policies, and procedures and the extent of their implementation in gaining assurance that the Program objectives shall be met. The FSA has identified certain risks and mitigation actions have been included in the PAP as appropriate. The performance of the systems was carried out based on virtual discussions with the operational staff, review of documents and experience on several ongoing (four) and recently closed projects in the state.

4. **Program Institutional and Implementation Arrangements:** The Department of School Education (DoSE) is the largest among some 200 departments in the State. DoSE is mandated with the overall management of primary and secondary education, provides mid-day meal and school uniforms, develops content and pedagogy, and arranges to train teachers. *Samagra Shiksha* is a Centrally Sponsored Scheme (GoI share 60 percent and State Share 40 percent) implemented through the Andhra Pradesh *Samagra Shiksha* Society (APSSS) at the State level which focusses on initiatives associated with quality improvement/enhancement. The APSSS also implements the '*Nadu Nedu*' program financed by the GoAP for transformation of Government schools to upgrade facilities and amenities in schools to reach desired standards, based on the actual needs. The State Council of Educational Research and Training (SCERT) is a directorate in the DoSE which prepares the curriculum, instructions materials for teachers and conducts orientation programs for the

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<sup>1</sup> High Value means contracts with estimated values exceeding the monetary amounts that require mandatory review by the Bank's Operations Procurement Review Committee (OPRC)

professional growth of teachers, teachers-educators, supervisors; The District Institute of Education and Training (DIET)s are district level offices under the SCERT. The State Institute of Educational Management and Training (SIEMAT) is a new institution formed by the GoAP for acquisition, dissemination and create capacity to absorb knowledge and use it for developmental purposes. Andhra Pradesh Education & Welfare Infrastructure Development Corporation (APEWIDC) is a registered Society under the DoSE which acts as the procurement agent for various departments and schemes of GoAP including *Nadu Nedu*. With the APSSS being the key IA, the GoAP will implement the Bank supported SALT Program where share of the relevant partners/ programs is as given below.

**Table 1: Financing of the SALT Program**

SALT Program	US\$1,000 million
Counterpart Funding	US\$770 million
Of which, State Budget ( <i>Nadu Nedu</i> <sup>2</sup> initiative only)	US\$340 million
Of which, <i>Samagra Shiksha</i> <sup>3</sup>	US\$430 million
International Bank for Reconstruction and Development (IBRD)	US\$230 million
IPF 'Capacity Building' Component Supporting SALT Program	US\$20 million

5. **Program expenditure framework and Program financing:** The SALT Program accounts for about 7.8 percent of the overall government program, and 77 percent of it will be financed through counterpart funding. A high share of counterpart financing will help ensure sustainability of initiatives. The overall sustainability will be further enhanced by the fact that over the past three years, the state's school education budget has been growing at about 7 percent per annum. Additionally, at least 34 percent of funds under the SALT Program are expected to be utilized for school level facility upgradation. This non-recurring expenditure is expected to conclude in the first two years, and this would gradually free up more than enough funds for sustaining other interventions, and for maintaining (and over time replacing) the facilities created/provided through the *Nadu Nedu* initiative. The expenditure efficiency under the Program will be enhanced by three aspects (a) the structure that the initiation of a results oriented AWP&B process would bring to the way nodal institutions plan and budget for interventions/activities; (b) the significant use of technology to enhance coverage under teacher training, school leadership development and remedial education initiatives, and for data collection and monitoring; and (c) the increase in enrolment due to the *Nadu Nedu* initiative leading to a reduction in per pupil expenditure. These aspects will also positively impact the efficiency of the larger government program. Details of the SALT Program are provided in **Annex 1**. Details of the DLIs and verification protocol are provided in **Annex 2**.

6. Efforts to further improve overall expenditure efficiency under the government program can help free up more funding to sustain the activities initiated under the SALT Program. For this, the Program will leverage a comprehensive system level analysis using the 'FinEd' toll developed by the Governance Global Practice of the World Bank and a Public Expenditure Review that covers the various decentralized levels of service delivery (state, district, block, and schools). **A line item wise Program expenditure mapped onto the three results areas is given Table 2 below.**

**Table 2: Program expenditure mapped onto the three results areas**

#	Budget Head	Result Area	Five Year Expenditure Projection (US\$ Million)					Total
			Y 1	Y 2	Y 3	Y 4	Y 5	
1	Teacher Salaries		2,064	2,064	2,064	2,064	2,064	10,320
2	School Infrastructure and Facilities							
	2a. Opening of New/Upgraded Schools		6	6	6	6	6	30
	2b. Strengthening of Existing Schools ( <i>Nadu Nedu</i> )	RA - 1	170	170	-	-	-	340
	2c. School Maintenance and Operation Cost		8	8	8	8	8	40
3	Scholarships, Transport Allowance, Mid-day Meal, Textbooks, and Uniform		194.4	194.4	194.4	194.4	194.4	972
4	Assistance to Private-Aided Schools		54	54	54	54	54	270

<sup>2</sup> Only non-recurring head of expenditure

<sup>3</sup> Excluding teacher salaries, student entitlements, mid-day meals, greenfield infrastructure and vocational education

5	Funds for Quality (Including remedial and bridge education)	RA - 2	92.5	92.5	60	60	60	365
6	Teacher Education Institutions and Teacher Training							
	6a.TEI Salaries		3	3	3	3	3	15
	6b.TEI Infrastructure, Maintenance & Operational Expenses	RA - 2	1	1	1	1	1	5
	6c. Teacher Educators Professional Development	RA - 2	4	4	4	4	4	20
	6d. In-service Teacher Training and Head Teacher Training	RA – 2/3	11	11	6	6	6	40
7	Management Cost							
	7a. Salaries and Office Operation		27.8	27.8	27.8	27.8	27.8	139
	7b. EMIS and Education Technology	RA - 3	1	1	1	1	1	5
8	Academic Support through BRCs and CRCs	RA - 3	29	29	29	29	29	145
9	Vocational Education		7.8	7.8	7.8	7.8	7.8	39
10	Support at Pre-Primary Level	RA - 1	5	5	5	3	2	20
11	Assessment at National and State Level	RA - 2	5	3	5	2	5	20
12	Provision for Children with Special Needs	RA - 2	5	5	10	10	10	40
<b>Total (Government Program)</b>			<b>2,688.5</b>	<b>2,686.5</b>	<b>2,486.0</b>	<b>2,481.0</b>	<b>2,483.0</b>	<b>12,824</b>
<b>Total (SALT Program)</b>			<b>323.5</b>	<b>321.5</b>	<b>121.0</b>	<b>116.0</b>	<b>118.0</b>	<b>~1,000</b>
<b>IBRD Share<sup>4</sup></b>			<b>72.175</b>	<b>61</b>	<b>42.1</b>	<b>11.5</b>	<b>42.6</b>	<b>229.375</b>

7. Roles and legal structure of the various agencies are given below. The APSSS is the key IA for both *Samagra Shiksha* and *Nadu Nedu* and thus for the SALT Program.

**Table 3: Institutional Responsibilities**

Institution		Legal Status	Responsibilities
DoSE		Department of GoAP	Policy decisions and supervision of the Program
APSSS	SIS	Society	Only agency making payments under the program. They will be also responsible for major procurement of consultancy services and training and learning materials.
	Districts and Sub-District Levels		Establishment Expenses; Transfers to Parents Committee
APEWIDC		Society	Procurement Agent mainly for school infrastructure and facilities; no funds management or payments responsibilities
Parents Committees		Community Organization	Key role in implementation though volume of funds handled not very high. They will be responsible for small-value community-driven decentralized procurements of goods/works which cannot be procured centrally

8. Though PCs play important role in program implementation (SS as well as *Nadu Nedu*) only 6 percent of the expenditure is paid through the PC. Payments against a majority of the expenditure is made by District level (80 percent) and State level (14 percent).

9. It is important to note that the APSSS operates under the financial management rules and guidelines of *Samagra Shiksha*; however as per a decision of the the GoAP in August 2019 (Government Order # 99) all payments and fund management for the APSSS (and all Societies and Boards in the state) have been brought under the aegis of the state treasuries using the Comprehensive Financial Management System (CFMS) – the state’s core financial management solution. Thus, the APSSS follows the state government rules for budget approval and allocation, and for payments and documentation. In this backdrop, the APSALT Program will be driven by guidelines of *Samagra Shiksha* as well as the State as presented in the table below.

<sup>4</sup> Excludes expenditure under IPF component and ‘other costs’

**Table 4: Governance Framework**

Step in Public Financial Management Cycle	<i>Samagra Shiksha</i> Program	GoAP guidelines	Remarks
Planning	✓		Follows the 'Annual Work Plan and Budget' of SS, which is a Centrally Sponsored Scheme. The program costs are shared in the ratio of 60:40 between Center and State.
Budgeting		✓	Funds for SS and <i>Nadu Nedu</i> are provided in the annual budget of the DoE by the GoAP
Budget Execution – Procurement cycle including contract management		✓	APSSS follows the Financial Management and Procurement (FM&P) Manual issued by Gol for <i>Samagra Shiksha</i> . FM&P Manual also permits the use of State and Panchayati Raj rules at state level. The APSSS invoked this discretion provisioned in FM&P Manual and follows the State's Procurement Framework for procurement of Works, Goods, and Services. APEWIDC will act as a procurement agent for APSSSS mainly for the school infrastructure and facilities. However, payments will be released by APSSS.
Budget Execution	✓	✓	Payments are approved through the AP Treasuries using the 'Comprehensive Financial Management System' i.e. the State's IFMIS solution.
Accounting and Reporting	✓		Double entry, cash-based accounting system using 'Tally' software
External Scrutiny and Audit	✓		Annual Statutory Audit is conducted by Chartered Accountants as per SS Manual.

10. **Use of Country Systems:** Program financial management arrangements will use GoAP's systems for budgeting, funds flow, and payments, and *Samagra Shiksha's* systems for planning, accounting, and auditing. GoAP systems include the State Finance Rules Financial Code (first issued in 1966), State Treasury Code and State Budget Manuals. Though this framework has been updated from time to time, certain changes are required to ensure consistency with business processes and changes due to use of IT systems. Similarly, GoAP's Procurement Framework will be followed for Procurement and Contract Management. APSSS and APEWIDC are registered societies under the Societies Registration Act. The financial management arrangements at these societies have been assessed and found adequate for handling program related expenditure. Certain risks have been identified for which mitigation measures are being proposed. SIEMAT is a newly formed institution and the requisite systems are being put in place.

## II. Review of Public Financial Management (PFM) Cycle

11. PFM and accountability systems, processes and practices in Andhra Pradesh have improved over the last decade; these changes have been brought about by consistent application of improved budget and financial management practices. These include implementing of a Comprehensive Financial Management System (CFMS) i.e. the state's Integrated Financial Management Information System (IFMIS) on the SAP S4 HANA platform. CFMS include a full suite of budget formulation, budget execution, payments and account preparation, Debt and Investment management, Ways and Means managements. The Bank team has also applied learnings from ongoing operations including the State Health Systems Strengthening Project (P167581) which was approved in May 2019 and uses an IPF with DLIs instrument.

12. **Planning and Budgeting: Adequacy of Budgets:** The GoAP has an established budget preparation process, that is guided by a Budget Manual. It follows a six-tier budget classification system; and budget instructions are issued by the Finance Department (generally in the month of August) each year to all administrative departments; in turn the departments prepare budget estimate (BE) for the current year and advance estimate for the next two years; which are

examined by the Finance Department and negotiations ensure that budget allocations are adequate and expenditure commitments are within the fiscal targets set in the A.P. Fiscal Responsibility Act.

13. Overall budget to the Department of School Education in GoAP has shown an increase from INR165.4 billion (US\$2.5 billion) for FY 2016–17 to INR286.96 billion (US\$4.20 billion) for FY 2019–20. This shows GoAP's high commitment to the sector; further budget outturns have ranged from 81 percent to 94 percent in the past three years as presented below. The difference between the budgeted and actual is for several reasons including optimistic planning, efficiency gains and delays in availability of funds (which is covered in subsequent sections of this FSA)

**Table 5: Budget Outturns during last three years**

Year	INR Crores		
	Budget	Actuals	Budget Outturn
2016-2017	16,543.69	14,148.71	85.5 percent
2017-2018	16,959.45	15,942.11	94.0 percent
2018-2019	20,410.08	16,574.43	81.2 percent

14. **AWPB for Samagra Shiksha:** For SS the performance of AP has been slowing down as compared to the approved targets as per the Annual Work Plan and Budget. The state's performance was 51 percent of the target in the recent past showing limitations in appending which may be linked with delays in availability of funds or other bottlenecks. Other Indian states too face this issue albeit at a different scale.

**Table 6: State Performance against AWPB for Samagra Shiksha**

Financial Year	AWPB (INR Crore)	Funds Received During the Year			Expenditure (INR Crore)	Expendite/AWPB
		GoI	GoAP	Total		
2015-16	2,116	724	447	1,171	1,681	79 percent
2016-17	2,637	633	472	1,105	1,255	48 percent
2017-18	2,936	704	514	1,218	1,002	34 percent
2018-19	2,774	651	489	1,140	1,755	63 percent
2019-20	3,126	1,222	815	2,037	1,606	51 percent

15. **Procurement Planning:** The IAs initiate procurement activities after obtaining formal approvals (Administrative and Technical Sanction) from officers/ committee based on the Delegation of Financial Powers. The State Financial Rules and GO MS 94 (Procurement Framework<sup>5</sup>) do not spell out the systematic preparation of Annual Procurement Plan (APP) and its disclosure on the official website.

16. **Program Procurement Profile:** The program includes procurement activities like basic school facility development, teaching and learning materials and consultancy services based on the defined EEP. The envisaged activities in the EEP are subset of GoAP's and/or GoI's education sector developmental programs (*Nadu Nedu* of GoAP; SS of GoI). The *Nadu Nedu* initiative mainly focuses on basic facility development and covers nine components<sup>6</sup>. The construction of new schools / classrooms is not included in the SALT and these will be implemented by GoI or GoAP financed projects.

**Table 7: Result Area wise spend and broad list of procurable activities**

Result Area	Broad list of Procurable Activities	Allocation (Refer to Table 2)
<b>Result Area 1: Strengthened</b>	The state will invest in a few basic facilities (furniture for age appropriate seating, lights and fans for classrooms, and a smart television to facilitate use of digital content) and Teaching	2b. School Repair and Facility Upgradation ( <i>Nadu Nedu</i> ) 10. Pre-Primary Education <b>AP-SALT Operation (5 Years) US\$ million</b>

<sup>5</sup> State Financial Rules and relevant Government Orders (GO)

<sup>6</sup> (i) Toilets with Running Water (ii) Drinking Water Supply (iii) Major & Minor Repairs (iv) Electrification (v) Furniture (vi) Green Chalk Boards (vii) Painting for campus (viii) English Labs (ix) compound wall.

Result Area	Broad list of Procurable Activities	Allocation (Refer to Table 2)		
		Govt. Exp.	Bank Funds	Total
<b>Foundational Learning</b>	Learning Material (TLM) that directly impact the quality of the learning environment. The procurement/contracting for these crucial inputs and facilities will be managed and supervised directly by the community. Under the operation, the government will directly provide funds to the community based on a formula that factors in level of education and enrolment provided by the school. It also supports teacher professional development, preparation of teacher guidebooks, and training of BRCCs, CRCCs and school principals on academic management and monitoring. The SCERT will be the nodal institution for development and roll-out of TLM, learning resources, and teacher training	238	102	340
		18	2	20
		256	104	360
		TA Component IPF – 2 million		
<b>Result Area 2: Improved Quality of Teacher-Student Interactions:</b>	The proposed operation will focus on the provision of blended teacher professional development opportunities (on-site teacher training, on-site and remote individual coaching, and online repository of training materials) to accompany the curriculum transition, and the student learning assessments and teacher subject knowledge assessments required to develop these opportunities	5. Funds for Quality (Including Remedial and Bridge Education)		
		6b, c, and d. TEI Infrastructure, Maintenance & Operational Expenses; Teacher Educators Professional Development; In-service Teacher Training and Head Teacher Training		
		11. Assessment at National and State Level		
		12. Provision for Children with Special Needs		
		<b>AP-SALT Operation (5 Years) US\$ million</b>		
		314.5	50.5	365
		25	35	60
		5	15	20
		34.5	5.5	40
		369	116	485
		TA Component IPF – 13 million		
<b>Result Area 3: Improved School Leadership and Management:</b>	Support would be directed at building capacity in areas such as planning and management, administrative and academic monitoring, people management skills, and leadership skills	6d. In-service Teacher Training and Head Teacher Training		
		7b. EMIS and Education Technology		
		8. Academic Support through BRCs and CRCs		
		<b>AP-SALT Operation (5 Years) US\$ million</b>		
		0	5	5
		5	0	5
		130	15	145
		135	20	155
		TA Component IPF – 5 million		

**Table 8: Procurement activities and responsible IAs (Linked to Table 2)**

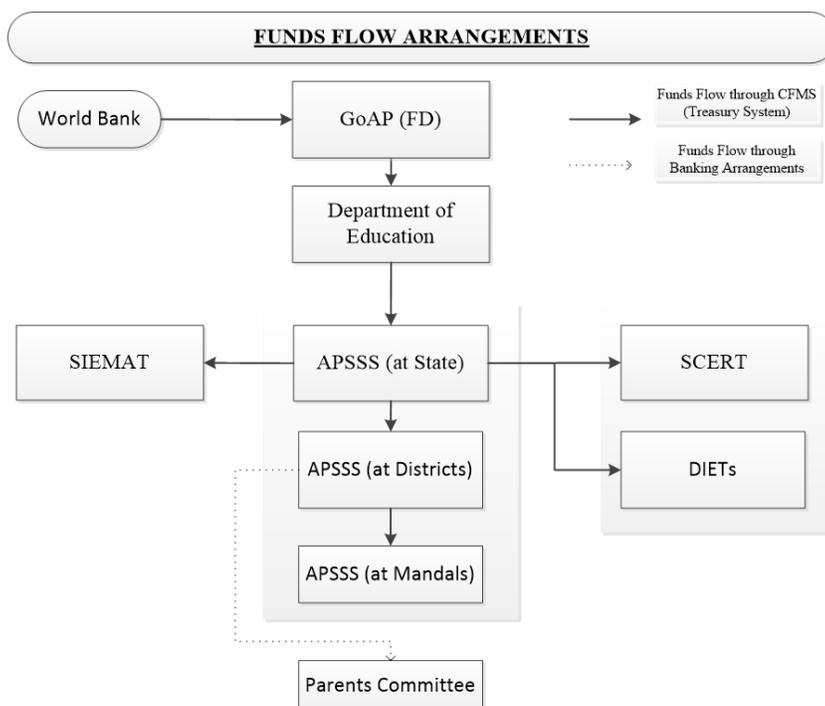
#	Description	Result Area	Five Year Expenditure	Procurement Activity	Implementing Agency
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			Projection (US\$ Million)		
2	School Infrastructure and Facilities				
	2b. Strengthening of Existing Schools (Including <i>Nadu Nedu</i> )	RA - 1	340	School infrastructure and facilities	APWIDC (Payment through APSSS) + Parent Committees
5	Funds for Quality (Remedial Education/LEP, bridge education, Innovation, Guidance etc.)	RA - 2	365	Teaching learning material, printing of workbooks and/or learning resources, need based engagement of technical experts or firms for content and material development	APSSS
6	Teacher Education Institutions (TEI) and Teacher Training				
	6b. TEI Infrastructure, Maintenance, Rent for Space and Office/Operational Expenses	RA - 2	5	Training expenditure including printing of material, stationery and venue costs. Printing and delivery of teacher guidebooks.	APSSS, SCERT or SIEMAT (minor expenditure related to printing, booking of venues, meals, AV equipment etc.)
	6c. Teacher Educators Professional Development	RA - 2	20		
	6d. In-service Teacher Training and Head Teacher Training	RA - 2/3	40		
7	Management Cost				
	7b. Education Management Information System and Education Technology	RA - 3	5	Post MIS development, regular operational expenditure through engagement of individual consultants or a firm	APSSS
8	Academic Support through BRCs and CRCs	RA - 3	145	Training Expenditure including printing of material, stationery and venue costs	APSSS or SIEMAT (minor expenditure related to booking of venues, meals, AV equipment etc.)
10	Support at Pre-Primary Level	RA - 1	20	TLM, printing or procurement of textbooks, printing of teacher training materials and guidebooks.	APSSS (Procurement of TLM or books) or SCERT (minor expenditure related to booking of venues, meals, AV equipment etc.)
11	Assessment at National and State Level	RA - 2	20	Printing and delivery of assessment papers in schools	APSSS or SCERT to pay for printing, transportation etc. No major procurement
12	Provision for Children with Special Needs	RA - 2	40	Refurbishment of CwSN centres	APWIDC (Payment through APSSS)
<b>Total (SALT Program)</b>			<b>1,000</b>		

17. **Budget Execution – Treasury Management and Fund Flow:** The treasury systems of the GoAP are robust, well established, and have been used under several World Bank operations. The Reserve Bank of India is the banker to the GoAP; receipts and expenditures transacted at various treasuries are routed to a single treasury account. At the department level, the GoAP follows a system of Comprehensive Budget Release and Distribution to ensure streamlined flow of cash every month based on the approved work plan to ensure financial control, and accountability. There is no physical movement of funds and all the DDOs draw their bills through the CFMS which has online Bill submission, processing, tracking and payments including enhanced refund management process. For the APSSS, GoAP has introduced

Green Channel Public Deposit account to expedite the implementation from the funds of the Central Assistance to the State Development Schemes (CASDS) and Matching Share of the State (MSS). Funds from *Samagra Shiksha* (and all other Central Assistance to the State Development Schemes) are transferred (notionally) to the Green Channel PD Accounts. In essence, these Green Channel PD Accounts operate and function in the same manner as bank accounts; payments are processed through 'e-Kuber' on authorization / submission of the bill by the respective PD Administrator (State Project Director) and such PD Accounts are authorized to be exempted from Treasury scrutiny / intervention for fund clearance. A.P. has periodically faced shortfall of funds over the past few years leading to temporary delays in payments to suppliers/ contractors and this problem has been exacerbated due to the impact of COVID 19. This, though less of a concern in the social sectors, will have to be monitored during the program implementation. The SALT Program will be insulated from this funds crisis for the reasons (Green Channel PD Account) explained above. The funds flow arrangements under the program are given below:



18. **Funds flow analysis:** Delays in availability of funds were analysed, based on data provided. While the 'Green Channel PD Account' insulates the AP SSS from day-to-day checks and rationing by the treasuries, these are relevant only if the AP SSS get a 'Budget Release Order' or BRO from the FD. It only after receipt of the BRO that it can draw on fund and make payments. The ongoing *Samagra Shiksha* is a program funded 60 percent by Gol and 40 percent by AP. In recent years, it has seen delays in release of Gol and state share.

**Table 9: Summary of Delay (days) in Gol Share and State Share**

	FY 2018-2019	FY 2019-2020
Delay in Release of Gol Share by GoAP to APSSS	64	50
Delay in Release of GoAP Share to APSSS	64	54

**Table 10: Delays – data for FY 18-19 and FY 19-20**



Financial Year	Gol Share (in Rs. Lakhs)	Date of Release by Gol to GoAP	Date of Release of Gol Share by GoAP to APSSS	Delay (in Days)	Average Delay in Releasing Gol Share (in Days)	GoAP Share (in Rs. Lakhs)	Due Date of Release of State Share	Date of Release by GoAP	Delay (in Days)	Average Delay in Releasing State Share (in Days)	% of State Share
2018-2019	53047.37	07-SEP-18	19-DEC-18	103	64	35364.91	07-SEP-18	19-DEC-18	103	64	40%
	3210.98	07-SEP-18	19-DEC-18	103		2140.65	07-SEP-18	19-DEC-18	103		40%
	5000	25-MAR-19	10-APR-19	16		3333.33	25-MAR-19	10-APR-19	16		40%
	250.62	26-OCT-18	29-NOV-18	34		167.08	26-OCT-18	29-NOV-18	34		40%
	384.75	28-FEB-19	18-MAR-19	18		256.5	28-FEB-19	18-MAR-19	18		40%
	17297.71	29-JAN-19	15-FEB-19	17		11531.81	29-JAN-19	15-FEB-19	17		40%
	7116.57	29-JAN-19	15-FEB-19	17		4744.38	29-JAN-19	15-FEB-19	17		40%
	4439.33	24-SEP-18	14-DEC-18	81		2959.55	24-SEP-18	14-DEC-18	81		40%
	3915.09	30-MAR-19	24-APR-19	25		2610.06	30-MAR-19	24-APR-19	25		40%
	406.03	25-SEP-18	23-DEC-18	89		270.69	25-SEP-18	23-DEC-18	89		40%
	28.31	25-SEP-18	18-APR-19	205		18.87	25-SEP-18	18-APR-19	205		40%
<b>Total</b>	<b>95096.76</b>					<b>63397.83</b>					

Financial Year	Gol Share (in Rs. Lakhs)	Date of Release by Gol to GoAP	Date of Release of Gol Share by GoAP to APSSS	Delay (in Days)	Average Delay in Releasing Gol Share (in Days)	GoAP Share (in Rs. Lakhs)	Due Date of Release of State Share	Date of Release by GoAP	Delay (in Days)	Average Delay in Releasing State Share (in Days)	% of State Share
2019-2020	25997.28	09-SEP-19	16-OCT-19	37	50	17331.52	09-SEP-19	16-Oct-19	37	54	40%
	6425.94	09-SEP-19	10-OCT-19	31		4283.96	09-SEP-19	10-OCT-19	31		40%
	6425.94	19-MAR-20	21-MAY-20	63		4283.96	19-MAR-20	21-MAY-20	63		40%
	12158.9	27-DEC-19	10-FEB-20	45		8105.93	27-DEC-19	10-FEB-20	45		40%
	36028.56	30-APR-19	20-JUN-19	51		24019.04	30-APR-19	30-JUN-19	61		40%
	3747.93	12-FEB-20	19-MAR-20	36		2498.62	12-FEB-20	07-MAY-20	85		40%
	3489.62	19-MAR-20	21-MAY-20	63		2326.41	19-MAR-20	10-MAY-20	52		40%
	9087.44	23-OCT-19	17-DEC-19	55		6058.29	23-OCT-19	17-DEC-19	55		40%
	2156.36	30-APR-19	12-JUN-19	43		1437.57	30-APR-19	12-JUN-19	43		40%
	381.71	18-OCT-19	17-DEC-19	60		254.47	18-OCT-19	17-DEC-19	60		40%
	96.53	19-MAR-20	21-MAY-20	63		64.35	19-MAR-20	21-MAY-20	63		40%
<b>Total</b>	<b>105996.21</b>					<b>70664.12</b>					

19. **Accounting and Reporting:** Accounting will be on a cash basis using government systems; expenditure will be recorded and reported at the time of final payment for works, goods, services, and other expenditures. Accounting will be guided by the *Samagra Shiksha* FMM. The rules lay down policies and procedures for the entire FM cycle, from budgeting to accounting/internal controls and also prescribe formats for reporting and record keeping. Adequate records will be maintained at accounting locations and will include vouchers, invoices, cashbooks, ledgers, and asset registers. With respect to salary bill, the DDO prepares the salary bill in e-payroll system and submit the physical copy of the salary bill to Treasury that makes the electronic payment directly into the bank account of staff.

### III. Applicable Procurement Framework

20. In the absence of Sate Procurement / Tender Transparency Act or Procurement Regulations, the *AP State Financial Rules (SFR)* and subordinate *Government Orders [GOs]* are the policy documents for Procurement Framework in AP state. The Finance Department (FD), GoAP is the custodian of these SFR. The procurement related GO<sup>7</sup>s were issued by various Procurement Entities (PEs) in concurrence with FD, GoAP from time to time to regulate and govern the procurement activities in the State. GO MS 94<sup>8</sup> dated 1 Jul 2003 is an important GO and it provides overall procurement guidelines. The SFR and GO MS 94 does not cover the selection of Consultancy or Non-consultancy Services. The *Delegation of Financial Powers* defines various threshold / limits of sanctioning the estimate and according approving the tender award based on

<sup>7</sup> The Procurement Related GO's are enlisted in eGP website Hyperlink [<https://www.apecurement.gov.in/government-orders.html>]

<sup>8</sup> Hyperlink [<https://www.apecurement.gov.in/downloads/GO-Ms-No-94.pdf>]



the hierarchy in the department. GoAP adopted the reverse Auction procurement procedure for all the procurement activities with estimated cost INR10 million (1 Crore) and above vide G.O.MS.No. 79 Dated: 25Aug 2020.

21. **Available procurement methods:** Open Tendering is the preferred method of procurement. Open, Limited tendering, Nomination / Direct Contracting procurement methods are available for procurement of Goods and Works including the Reverse Auction. Single stage two envelope method is the widely used method for contracts below the Reverse Auction<sup>9</sup> threshold INR10 million (1 Crore). GoAP recently introduced the Judicial review Act 2019<sup>10</sup> for review of all Tenders above INR100 Crore and above [ <https://judicialpreview.ap.gov.in> ]. These tenders will be published on the website for soliciting feedback from the interested public. Tenders will be approved after internal review and duly considering feedback from the interested public.

22. **Standard procurement documents:** GoAP is not having universal suit of Procurement documents/templates and these were not disclosed on the website. The Tender documents are customized by the IAs. Tender document (seen for a sample transaction) is having various sections to enable the potential bidders/providers to submit responsive Tender. However, there is no contract form along with General Conditions of Contract and Particular / Specific Conditions of contract in the Tender Document. Besides, the Fraud and Corruption<sup>11</sup> clause needs to be part of the contract. The tender document comprised of an Integrity Pact.

23. **eGovernment Procurement Platform:** As per GoAP's GO MS 2<sup>12</sup> dated 3 Feb 2014 stipulates the mandatory use of eGP Platform for all procurements with estimated cost **INR100,000** [US\$1,333 @ INR75 per US\$] and above. Tender evaluation is done offline. The contract management module is not yet developed. GoAP's eProcurement Platform will be used for management of Tendering from publication till award for all procurement categories.

24. **Publication of tender notice:** The publication period is 21 days for open Tenders (first call). For the estimated cost up to INR50 lakhs (INR5 million) the tender notice shall be published in District editions of two Telugu dailies with the largest circulation. For works costing more than INR50 lakhs (INR5 million), the tender notices will be published in one Telugu daily and one English daily having largest circulation at the State level. To reduce the cost of each publication, the format for the tender notice (an abridged version) in the newspaper and detailed tender notice in the eGP website so that the cost of the advertisement is kept to the minimum.

25. **Evaluation process:** Evaluation is manual and uploaded to the eGP Portal. APEWIDC is having detailed Tender Evaluation Format for evaluating the stipulated post qualification criteria. Scope for improvement of this format and comprehensive evaluation report. Highest tender premium is acceptable is 5 percent and lowest is 25 percent below the estimated cost. If the tender premium quoted is more than 5 percent even after two calls the matter should be referred to Government. For tenders more than 25 percent less, the difference cost between tendered amount and 75 percent of estimated cost shall be deposited by the bidder in the form of additional performance security.

<sup>9</sup> GoAP adopted the reverse Auction procurement procedure for all the procurement activities with estimated cost INR10 million (1 Crore) and above vide G.O.MS.No. 79<sup>9</sup> Dated: 25-08-2020

<sup>10</sup> The Government of Andhra Pradesh through its enactment dated. 20th August,2019 passed an Act namely Andhra Pradesh Infrastructure (Transparency through Judicial Preview) Act, 2019. The Legislative intention behind this Act is to bring transparency in the infrastructure bidding process in the state through judicial preview thereby to ensure optimum utilization of public resources and for matters connected therewith and incidental thereto. The Judicial Preview is that all infrastructure projects including Public Private Partnership (PPP) projects of the value of Rupees 100 Crore and above to ensure conformity in procedure, rules and guidelines prescribed by State and Central Governments from time to time.

a) <sup>11</sup> "corrupt practice" means the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence the actions of any person connected with the Bidding Process or in contract execution,  
b) "fraudulent practice" means a misrepresentation or omission of facts or suppression of facts or disclosure of incomplete facts;  
c) "coercive practice" means impairing or harming, or threatening to impair or harm, directly or indirectly, any person or property to influence any person's participation or action in the Bidding Process;  
d) "undesirable practice" means establishing contact with any person connected with or employed or engaged by the Authority with the objective of canvassing, lobbying or in any manner influencing or attempting to influence the Bidding Process; or (ii) having a Conflict of Interest; and  
e) "Restrictive practice" means forming a cartel or arriving at any understanding or arrangement among Bidders with the objective of restricting or manipulating a full and fair competition in the Bidding Process.

<sup>12</sup> <https://www.apecurement.gov.in/downloads/GO-MS-No-2-Dated-03-02-2014.pdf>

26. **Disclosure of Contract Award:** The contract award details are disclosed in the eGP Platform<sup>13</sup>.

27. **Performance of Procurement System:** The APSSS and APEWIDC have adequate capacity to centrally procure goods and works with reasonable procurement lead time (tender notice publication to award). Procurement performance indicators calculated based on sample procurement cases is presented below:

**Table 11: Procurement Data extracted based on Sample Procurement Activities: APSS**

Description	Estimated Cost in INR Crores	Number of Tenders Participated	Number of Bidders qualified (Technical)	Procurement Lead time (invitation to award) (days)	Contract Amount in INR Crores	Savings with respect to the estimated cost
3 pair uniforms (1 to 8 <sup>th</sup> )	159.02	2	2	24	168.90	6.21 percent
3 pair uniform (Grades 9 and 10)	60.16	3	3	31	63.60	5.72 percent
Set of notebooks (Grade 6 to 10)	74.73	2	2	32	79.05	5.78 percent
Shoe & socks	63.53	5	5	81	67.75	6.64 percent
Belt	9.49	2	2	81	10.13	6.74 percent
School bags	65.12	3	3	81	69.44	6.63 percent
<b>Average</b>	<b>72.01</b>	<b>2.83</b>	<b>2.83</b>	<b>55.00</b>	<b>76.48</b>	<b>6.29 percent</b>

28. For APEWIDC, sampled 20 procurement files from eGP Portal and analyzed the data. Few inferences are:

- a. Average Estimated Cost : INR66.45 Crores
- b. Average Contract Amount: INR56.42 Crores
- c. Average contract price is 18 percent lower than the estimated cost.
- d. Average Number of Bids: 4.30 per opportunity [21 Transactions]
- e. Average Number of Bids Technically qualified: 2.80
- f. Average Procurement Lead time [publication till award]: 141.7 days

29. **Contract Management:** For the centralised procurements, the contracts were managed and monitored by the APSSS. The PCs validates and accepts the distributed goods and takes to the asset register. The payment will be processed centrally. These PEs will take decisions related contractual amendments inter alia scope, extension of time, and levying of liquidated damages. The School Transformation Monitoring Software (STMS) dashboard will be used for monitoring of physical and financial progress. The AP SSS will setup a simple contract management database (even if in MS Excel) to be able to list all active contracts, relevant dates and values to manage the contracts better on a day-to-day basis, as well as for more effective Management reporting.

30. **Procurement Procedure for *Nadu Nedu*: Improvement of School Facilities, implemented through Parents Committee (PC):** The *Nadu Nedu* is Hybrid Community Driven Procurement [CDP] model adopted by GoAP. PCs identifies school specific requirements within *Nadu Nedu* nine (9) components and submits the indent through STMS Software. These idents from various schools will be aggregated and classified as Centralised items and decentralised items as per the approved list. The Goods within centralised components will be procured centrally by APSSS or with the support of APEWIDC. The decentralised component will be implemented through Community Driven Procurement as per the guidelines provided in GO MS 87 dated 30 Nov 2019. GoAP has identified 7 departments for facilitating and providing technical support to PCs. These agencies allocated geographically and based on the availability of staff with *Samagra Shiksha* Society. PCs certifies and approves payment. The cheques need to be signed by Joint Signatories. The payment will be processed through CFMS. A comprehensive website for *Nadu Nedu*: [<https://nadunedu.se.ap.gov>] was developed

<sup>13</sup> Hyperlink: <https://tender.apecurement.gov.in/tenderAwardedDetails.html#>

and used for implementation. The website discloses the data & details school wise for general public. The MIS reports are also available on the website. The STMS software provides various dashboard at various levels to monitor the physical and financial progress including the photographs taken at the site (before initiating, during work in progress, and after completion) with time stamp. For the ease of use, Mobile Application was also developed and used. The community was provided with adequate orientation cum training to use these tools<sup>14</sup>. Procurement Records: PCs prescribed with various documents / records to be maintained.

#### IV. Internal Controls, Fiduciary Staffing, and Internal Audit

31. Program arrangements will include the following arrangements for internal controls: (a) processing of all payments by the AP treasuries, which will approve payments; (b) no use of commercial bank accounts at any level; and (c) periodic financial reporting and reconciliation. With the internal controls described earlier and the external audit by a firm of Chartered Accountants, there is a reasonable assurance that adequate controls are in place for all transactions/payments. However, the Internal Audit Reports (referred to in subsequent sections) have provided significant and pertinent information about working of the PFM cycle and areas for strengthening. Based on the dialogue, the Bank team is aware that the APSSS is taking specific corrective actions to strengthen the identified FM weaknesses.

32. In terms of financial management staffing, details at the AP SSS are given below. There is cause for concern since there are many vacancies across the board. Vacancies are 60 percent at the state level, 32 percent at the district level and again 63 percent at the Mandal level. One accountant is supposed to be posted at each Mandal and these are contractual posts and should be filled in as soon as possible. However, this does not pose a high fiduciary risk, since expenditure at each Mandal is around INR1,25,000/ annum (less than USD 2000). Vacancies at the State level need to be filled at priority since these staff play a leadership role in supervising the field level activities. If unattended, it can also weaken internal controls like segregation of duties. APEWIDC has a team of 7 seven engineers to conduct the centralised procurements.

**Table – 12: Level-wise details of Sanctioned and Vacant Posts**

	Sanctioned	Filled	Vacant	Percentage Vacant
State	15	6	9	60 percent
District	74	49	24	32 percent
Mandal	695	256	439	63 percent
<b>Total</b>	<b>784</b>	<b>311</b>	<b>472</b>	<b>60 percent</b>

**Table 13: Post-wise Details of Sanctioned and Vacant Posts**

Post	State			District			Mandals		
	Sanctioned	Filled	Vacant	Sanctioned	Filled	Vacant	Sanctioned	Filled	Vacant
Finance Controller	1	1	-	-	-	-	-	-	-
Accounts Officer	1	1	-	13	11	2	-	-	-
Finance and Accounts Officer/Audit Officer	2	2	-	13	12	1	-	-	-
Junior Accounts Officer	-	-	-	4	1	3	-	-	-
Senior Accountant	3	-	3	24	14	9	-	-	-
Accountants/Junior Accountants	2	1	1	7	-	7	695	256	439
Sr. Auditor	1	-	1	-	-	-	-	-	-
Data Processing Officer/ CPMS Team	5	1	4	13	11	2	-	-	-
<b>Total</b>	<b>15</b>	<b>6</b>	<b>9</b>	<b>74</b>	<b>49</b>	<b>24</b>	<b>695</b>	<b>256</b>	<b>439</b>

<sup>14</sup> Interacted with the Parent Committee's and details of Parent Committee, Expenditure Details through *Nadu Nedu* – 9 components will redisplayed in the official website [For illustration for one school: MPPS Marlagudem, Buttaigudem, West Godavari at <http://nadunedu.se.ap.gov.in/STMSWorks/Public/SchoolProfile.aspx?SID=28150202901>



33. APSSS has an internal-audit mechanism in place; this is conducted as per the provisions of Manual and Financial Management and Procurement of *Samagra Shiksha*. The manual prescribes annual internal audit by a CA firms; and scope of these audits are mainly transactional in nature, that involve review of accounting records and financial transactions, and internal control processes. The internal audits have been completed till FY 2019-20. A single CA firm was tasked for IA of the entire state which include State (1 unit), District (13 Units), Mandals (676 units) and Parents Committees (44000 units). The fee paid to the internal auditors for audit of FY 2019-2020 is INR1.89 Crores. A sample of reports were reviewed which included reports of 5 districts out of total 13 districts. The sample reports were further picked from two financial years - 3 for FY 2019-2020 and 2 for FY 2018-2019. Report of State Project Office for FY 2019-2020 was also reviewed. The findings reveal the following internal control weaknesses:

- a. Mismatch between 'funds allotted to District Project Office' as per accounts of State Project Office and District Project Offices
- b. Non-maintenance of the required registers including Fixed Asset registers, consumables register etc.
- c. Large advances remaining unadjusted
- d. Issues in compliance with labour laws, TDS and GST deductions and filings

34. The Internal / concurrent audit function can be made more effective by strengthening the terms of reference of audit in line with good industry practices, such as increase in the scope and coverage through risk-based audits, specialized review in the functional areas of asset procurement, inventory / stock audits (by providing detailed checklist on important aspects to be covered), and an effective compliance and follow-up mechanism.

35. **Internal Audit (IA) at APEWIDC:** Though APEWIDC will play a role of procurement agent for the program, a review of its IA arrangement revealed that: (a) hiring of internal auditor for FY 2019-2020 has been done on nomination basis (and not on competitive basis); (b) the scope of work includes services such as designing of controls and its implementation; compiling of annual accounts. Thus, there may a potential conflict of interest with the fiduciary role of the IA. The terms of reference for IA needs a relook to orient it to an assurance on the adequacy, satisfactory working of internal controls and ensure independence. The terms may be revised to include a special review of asset procurement and stock audit.

36. **Role of Parent Committees:** The PCs play an important role in both the SS and *Nadu Nedu* Program. They are operational and active bodies and ensure better governance of each school. They are also provided funds for specific activities under each program and this (community participation) is expected to give better results in terms of targeting and execution of activities. From a fiduciary point of view, the PCs are under reasonable check regarding their spending and this includes checking by the internal auditors. Interna Auditors have been mandated with extensive coverage of PCs and the PMU shared sample reports of PCs with the Bank team. These reports provide a rudimentary Income and Expenditure account of each PC. Further, cheque payments by PCs have to be jointly signed by District/ Block level officials. For the goods purchased at the district level and provided to the schools, a 'sign off' by the PCs is linked to the payments release by the district level agencies. This is an effective internal check. As a good governance measure, Social Audit is being strengthened at this level, this will ensure that voice of the PCs is heard at the right level and in a timely manner. This measure will be implemented under the IPF component of the loan and is expected to improve transparency (disclosure) and accountability (towards parents) at the School level. Please also see **Annex 3** for role of PCs.

## V. Program Governance and Anti-Corruption Arrangements

37. The Program will be subject to 'Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing' dated February 1, 2012 and revised on July 10,2015. These guidelines shall apply to all activities within the Program scope. As there is no distinction between World Bank-financed activities and government-financed activities within the Program, these guidelines shall be applied in an unrestricted manner on all activities within the Program

boundary. The tender documents' Fraud and Corruption Clauses need to be aligned with the Bank's Anti-corruption Guidelines.

38. **Complaint Handling Mechanism:** Procurement related complaints, if any, is processed by following the administrative procedure. The bidder not satisfied, may approach the Court of Law for seeking redress. Currently there is no dedicated mechanism in place to treat the procurement related complaints in a timely manner. An online procurement related complaint handling mechanism (including appeal mechanism), with pre-defined roles, responsibilities and timelines, will be put in place to deal with complaints arising from the envisaged procurement activities through the Program.

39. **Debarment Process:** GO MS 94 2003 Annexure II: Rules for Registration of Contractors prescribes the rules of registration, suspension, blacklisting, and restoration of contractors.

## VI. Auditing

40. The audit of the state accounts is conducted annually by the Supreme Audit Institution—CAG of India—and reports are generally issued in the month of February. The reports are tabled before the State Assembly in the ensuing budget session of February/March each year and are made publicly available on the website of the CAG. The audit paras are reviewed by the Public Accounts Committee and recommendations are made to the GoAP. The CAG of India also carries out performance and compliance audits of the 'General and Social Sector'<sup>15</sup> each year, that include operations of the DoSE and such reports are issued together with the state accounts. A review of audit report for FY 2017—18 has not reported any serious accountability issues on budget execution, misappropriation of funds, and fraud- and corruption-related areas.

41. The audit of *Samagra Shiksha* is conducted annually by a firm of Chartered Accountants and reports are generally issued in the month of October/November each year. There is also a provision of a supplementary audit by the CAG after the statutory audit is completed by an external audit firm. The audit reports of Chartered Accountant firm are shared with Ministry of Human Resource Development, Government of India. The audit report, entity financial statements, and forming schedules are exhaustive and provide detailed financial information on the use of funds. To enhance transparency, APSSS has agreed to disclose the annual audit reports and financial statements in the official websites.

**Table 14: Signing date of *Samagra Shiksha* Audit Reports**

Financial Year	Date of Report	Expenditure (INR Crores)
2015-16	Undated	1,681
2016-17	27 October 2017	1,255
2017-18	26 October 2018	1,002
2018-19	30 November 2019	1,755
2019-20	20 January 2021	1,606

42. Program Audit: The Bank funded SALT consists of specific lines from the Budgets each of *Samagra Shiksha* and *Nadu Nedu*. It is thus important to not only get fiduciary assurance on the operations of SALT but also a confirmation of the expenditure made on the Program on an annual basis. This annual reporting helps task teams and the State Governments ensure that program expenditures are on track and will be greater than the DLI based disbursements under the Program. A firm of Chartered Accountants will be hired for annual audit of SALT and salient features of this will be: (a) competitive selection with strong quality criteria; (b) reporting obligation within nine months of close of the FY i.e. by December 31 of each year; (c) reliance on existing Internal Audit and *Samagra Shiksha* Audit; and (d) TOR of Auditor would have scope to validate that under Program Expenditure there are (i) no contract awards made to debarred firms;

<sup>15</sup> As a part of its audit process, the CAG issues various reports including State Finance Audit Report, Audit Report on Government Sector, audit Report of Government and Social Sector etc. The operations of DoE are covered under the audit report General and Social Sector. The most recent report available in the website of CAG (<https://cag.gov.in/en>) for the General and Social Sector is for FY 2017-2018. The report on state finances is issued till 2018-2019.

(ii) no High Value contract is present; (iii) all procurement is in accordance with the State Financial Rules and applicable GOs.

43. Audit of APEWIDC: Though this agency will not be handling funds/ making payments under the program, its audit reports were reviewed and the following observations are relevant: (a) the last available audit report is for FY 17 – 18 and thus there is a backlog of audit; (b) the observations suggest internal control weaknesses like bank balances not reconciled, accounts updated at time of audit, ledgers not properly maintained, inadequate recordkeeping of fixed deposit receipts. As part of the project supervision, annual audited financial statements of APEWIDC will be reviewed by the Bank team.

44. The World Bank team will carry out regular implementation mission to support the implementing agencies to achieve results. The progress on agreed DLIs and PAPs will be reviewed and any additions/changes to the action plan will be made during the implementation phase. The treasury reports on budget allocation and execution by implementing agencies, Procurement progress, contract management and financial reports, internal and external audit reports and annual financial statements of the Program Boundary will be reviewed from an FM and procurement perspective. Further, some of key performance metrics including (a) audit with no material deviations (ii) timeliness of audit (iii) timeliness of fund release (iv) Procurement cycle time (v) publication of contract award (vi) complaints received and resolved will also be monitored. The FM and procurement issues / risks identified during the implementation phase will be addressed appropriately.

## VII. Risk/Weaknesses and Resolution

Risk	Mitigation action	Timing
Multiple Government Orders [GOs] related to Program and Procurement Cycle including contract management make it difficult to retrieve necessary procurement provisions	<p>Prepare a Program Operation Manual (POM) which consolidates all procurement orders/procedures applicable for the program</p> <p>[Duly considering the scope, spend envelope, multitude of IAs, stakeholders, DoSE / APSSSS PIU to prepare compendium of relevant Government Orders. Collate &amp; compile all related GOs and prepare Program Operation Manual [POM]</p> <p>The POM is a document of shared understanding, collective guide for decision makers and implementers, and as day-to-day reference. POM also mitigates frequent changes in regulatory aspects [Issuing GOs versus Revising the Manual (merits &amp; demerits). With the experience and learnings of Phase – I <i>Nadu Nedu</i>, POM will be a reference document.]</p>	Before the project effectiveness [as the Phase – I of <i>Nadu Nedu</i> is about to be completed and next phase will be in the middle by the time of Program becomes effective]
Standard procurement documents do not have contract conditions and adequate fraud and corruption clauses	<ul style="list-style-type: none"> <li>Update the standard procurement documents including appropriate contract conditions and fraud and corruption provisions</li> </ul>	Before the project effectiveness
No dedicated staff deployed at PIU [proposed] for managing the procurement cycle including contract management	<p>Deploy dedicate Procurement Specialist at PIU</p> <ul style="list-style-type: none"> <li>to manage and coordinate entire procurement cycle as the multiple agencies implements multitude of activities at multiple locations spread across 13 districts.</li> <li>to articulate procurement process &amp; manage awarded contracts [Centralized Procurement],</li> </ul>	<p>Before the project effectiveness</p> <p>For IPF component, need to meet the readiness criteria prescribed by Gol, Department of Expenditure (DoE)</p>



Risk	Mitigation action	Timing
	selection of consultancy services envisaged through Technical Assistance [TA – IPF Component]	
Absence of upfront disclosure of Annual Procurement activities in the official website	Adequate disclosure of procurement information: (a) Publish annual procurement plan at the beginning of each financial year on the program’s website and update it periodically; and (b) publish contract award information within 2 weeks from signing of the contract through the e-procurement platform and program’s website	(a) Commencement of each Financial Year and update periodically. (b) Continuous PAP
Key Performance Indicators (KPIs) on procurement and contract management are not measured and monitored	Measure Fiduciary Key Performance Indicators (KPIs): for procurement and contract management such as (a) procurement lead time (tender invitation to award of contract), (b) competition (average number of bidders), (c) percentage of contract award publication, (d) percentage of re-tender, (e) percentage of contracts having cost and time overrun etc. other key parameters throughout the procurement cycle for FM: (a) audit with no material deviations (b) timeliness of audit (c) timeliness of fund release	Continuous Share monitoring report with the Bank semi-annually  PAP
Scope of Audit covering Procurement cycle	TOR of Auditor would have scope to validate that under Program Expenditure there are (i) no contract awards made to debarred firms (ii) no High Value contract is present. (iii) all procurement is in accordance with the State Financial Rules and applicable GOs Internal Audit may be stipulated for all IAs/EAs as limited say with Comptroller and Auditor General (CAG) of India.	As per Audit frequency PAP
Inadequate procurement related complaint handling mechanism	Establish a procurement related complaint handling mechanism with an interface to accept complaint and detailed provisions on complaint resolution including appeal.	31 December 2021 PAP
Compliance of Anti-Corruption Guidelines	Share Report with World Bank on any allegation of fraud and corruption related allegation and investigations on six monthly basis.	Semi-annual report shared with the World Bank PAP
Audit of APSSS is guided by rules of <i>Samagra Shiksha</i>	Hiring of Auditors for Audit of SALT Program on a competitive basis	31 December 2021 Legal Agreement
Internal Audit of APSSS is weak	Internal Audit ToR strengthened to include (i) broader scope; (ii) include qualitative aspects and (iii) to include coverage of procurement aspects	PAP
The state is prone to Fiscal Stress and cash shortages on a temporary basis	APSSS operates a ‘Green Channel Public Deposit Account’ as per GO # 99 (August 2019) and is better insulated from cash shortages as compared to rest of the GoAP	
High level of vacancies in Accounts Section (State/ Mandal level) could lead to control weakness	To fill in adequate finance and accounts personnel	PAP

45. Not all the weaknesses can be recorded and documented in the PAP in the PAD. However, the following from actions have been incorporated.

Action Description	Source	Responsibility	Timing		Completion Measurement
Strengthen governance at SIEMAT, SCERT and DIETs	Fiduciary Systems	DoSE, GoAP	Due Date	29-Mar-2024	Financial management and administration strengthening plan developed and implemented
Measure Fiduciary Key Performance Indicators (KPIs)	Fiduciary Systems	DoSE, GoAP	Recurrent	Semi-Annually	Share monitoring report with the Bank semi-annually
Establishment of a procurement related complaint handling mechanism	Fiduciary Systems	DoSE, GoAP	Due Date	31-Dec-2021	Government Notification/Order specifying an interface to accept complaints and detailed provisions on complaint resolution including appeal.
Semi-annual reports collating allegation of fraud and corruption, complaints received, and investigations on the program activities.	Fiduciary Systems	DoSE, GoAP	Recurrent	Semi-Annually	Semi-annual report shared with the World Bank
Adequate disclosure of procurement information	Fiduciary Systems	DoSE, GoAP	Recurrent	Continuous	Publish annual procurement plan at the beginning of each FY on the program's website and update it periodically; and (b) publish contract award information within 2 weeks from signing of contract through the e-procurement platform and Program website
Adequate disclosure of financial information	Fiduciary Systems	DoSE, GoAP	Recurrent	Yearly	Program AWPB, and annual audited financial statement published on the program website
Strengthened internal audit and audit framework	Fiduciary Systems	DoSE, GoAP	Recurrent	Yearly	Terms of Reference and/or scope for internal audit and audit strengthened to cover procurement cycle and include recommendations made in the FSA, and reflected in annual audit and internal audit reports

## VIII. Implementation support

46. The Bank would support GoAP in implementing the mitigating actions to address the risks identified in the FSA. Progress against PAP actions identified would be on the agenda during the Bank Implementation Support Missions. Interactions between the DoE/ APSSS and Bank task teams would be organized to address key knowledge gaps. The Bank Task Team would undertake a review of key activities and documents under the Program such as procurement progress, funds availability, contract management, procurement complaints, adherence to Anti-Corruption Guidelines, policy notes, manuals and give its suggestions for improvement. The team would also assess, at each Mission, whether there are any significant changes to the assessed fiduciary risks and/or new risks have emerged and work with GoAP towards addressing such risks.



## Annex I: PforR Program Scope and boundaries

The overall government program comprises multiple schemes and initiatives of the state, and *Samagra Shiksha* – the centrally sponsored scheme for school education. The SALT Program focuses on those aspects of these schemes and initiatives that directly impact students' education outcomes across foundational, elementary, and secondary levels of schooling. While the state budget accounts for most of the expenditure, it mostly covers teacher salaries; school construction, repair and maintenance; and provision of student entitlements (free textbooks, uniforms, mid-day-meals, etc.). *Samagra Shiksha* provides most of the funding for quality enhancement initiatives. While this funding can sustain initiatives, it is not enough for the development and rollout of large-scale transformational Programs. The SALT Program seeks to address this gap by focusing on three results areas.

### Results Area 1: Strengthened Foundational Learning

- (i) Development and provision of short-term training course to Anganwadi workers and early grade schoolteachers.
- (ii) Provision of standardized training and learning materials across Anganwadis and early grade classrooms.
- (iii) Provision of teacher training and training and learning materials to tribal schools.
- (iv) Design and implementation of behavior change and communication strategy in tribal blocks to promote enrolment of children in preschool education and their continuous school education thereafter.
- (v) Infrastructure repairs and facility upgradation in schools.

### Results Area 2: Improved Quality of Teaching-Learning Interactions

- (i) Development and implementation of a model of need-based teacher professional development, school-based learning and peer-to-peer learning for teachers.
- (ii) Support to SCERT and DIETs for providing in-service teacher training opportunities.
- (iii) Support for courses on planning and management of remote learning, technology and digital pedagogical skills for teachers.
- (iv) Repair and refurbishment of CwSN resource centers and provision of aids, appliances and kits to support center, home and school-based education for children with special needs.
- (v) Establishment of a specialized cell for inclusive education at the SCERT to promote provision of need-based teacher training and guidebooks to address educational requirements of children with special needs.
- (vi) Strengthening of the use of classroom assessments as tools for ongoing student remediation and competency-based learning.
- (vii) Strengthening system-level assessments as tools for informing education policy and practice across the state.
- (viii) Roll out of a technology-enabled personalized adaptive learning system in residential schools to provide customized remedial learning to children.
- (ix) Sensitization and training of teachers to support them in identification of gender stereotypes in classroom interactions, and addressing learning gaps experienced by girls due to the COVID-19 pandemic.

### Results Area 3: Strengthened Institutional Capacity and Community Engagement for Service Delivery

- (i) Development and implementation of a social audit tool to enable greater community engagement in school operations and performance.
- (ii) Training and capacity building of school leaders and education functionaries in leadership skills and disaster risk

management.

- (iii) Support for state and district level educational institutions to develop results-oriented annual work plans and budgets.
- (iv) Establishment of village-level inter-departmental committees in select tribal blocks to monitor instances of early marriages, drop-outs and physical and/or sexual harassment of girls.
- (v) Support for mitigating school-related gender-based violence, including through training of teachers, administrative officials and Parent Committees; creation of web portal for reporting of grievances; and creation of a holistic identification, response and redressal system.

**Program expenditure framework and Program financing:** The SALT Program accounts for about 7.8 percent of the overall government program, and 77 percent of it will be financed through counterpart funding. A high share of counterpart financing will help ensure sustainability of initiatives. The overall sustainability will be further enhanced by the fact that over the past three years, the state's school education budget has been growing at about 7 percent per annum. Additionally, at least 34 percent of funds under the SALT Program are expected to be utilized for school level facility upgradation. This non-recurring expenditure is expected to conclude in the first two years, and this would gradually free up more than enough funds for sustaining other interventions, and for maintaining (and over time replacing) the facilities created/provided through the *Nadu Nedu* initiative. The expenditure efficiency under the Program will be enhanced by three aspects (a) the structure that the initiation of a results oriented AWP&B process would bring to the way nodal institutions plan and budget for interventions/activities; (b) the significant use of technology to enhance coverage under teacher training, school leadership development and remedial education initiatives, and for data collection and monitoring; and (c) the increase in enrolment due to the *Nadu Nedu* initiative leading to a reduction in per pupil expenditure. These aspects will also positively impact the efficiency of the larger government program.

Efforts to further improve overall expenditure efficiency under the government program can help free up more funding to sustain the activities initiated under the SALT Program. For this, the Program will leverage a comprehensive system level analysis using the 'FinEd' tool developed by the Governance Global Practice of the World Bank and a Public Expenditure Review that covers the various decentralized levels of service delivery (state, district, block, and schools).

Source	Amount (US\$Million)	Percentage
<b>Overall government program (Including SALT Program)</b>	<b>12,824</b>	
Of which, state budget (Including <i>Nadu Nedu</i> initiative)	11,478	89.5 percent
Of which, <i>Samagra Shiksha</i>	1,346	10.5 percent
<b>SALT Program</b>	<b>1,000</b>	
Counterpart Funding	770	77 percent
Of which, state budget ( <i>Nadu Nedu</i> <sup>16</sup> initiative only)	340	
Of which, <i>Samagra Shiksha</i> <sup>17</sup>	430	
<b>International Bank for Reconstruction and Development (IBRD)</b>	<b>230</b>	<b>23 percent</b>
<b>IPF 'Capacity Building' component supporting SALT Program</b>	<b>20</b>	

For a line item wise Program expenditure mapped onto the three results areas kindly refer to Table 2.

<sup>16</sup> Only non-recurring head of expenditure

<sup>17</sup> Excluding teacher salaries, student entitlements, mid-day meals, greenfield infrastructure and vocational education

## Annex II: Disbursement Linked Indicators and Verification Protocols

The SALT Program uses the Program for Results (PforR) instrument with a supporting IPF Component. Under the PforR instrument, funds will be disbursed on the achievement of specific results, measured by DLIs summarized below. The IPF component will disburse against expenditure. The results to be delivered under the same have not been included in the DLIs. Apart from the three PDO indicators, results from nine intermediate outcome indicators have been included as DLI indicators. These have been selected based on the extent to which they signal the implementation of critical actions or realization of key output, and the perceived need to introduce a strong financial incentive to deliver the same.

#	Disbursement Linked Indicator	Allocation (US\$ Million)						Total
		Prior Results	Year 1	Year 2	Year 3	Year 4	Year 5	
1	Decrease in the percentage of Grade 4 students below grade-level proficiency in Mathematics	NA	6.5	0	6.5	0	6.5	19.5
2	Improved teaching practices measured according to a standardized classroom observation tool	NA	2.75	0	7.2	0	10.8	20.75
3	Improved school management as measured by a standardized tool	NA	2.75	0	7.2	0	10.8	20.75
4	Learning environment enhanced with major repairs, essential facilities, furniture, and electrical fixtures	51	0	51	0	5.5	0	107.5
5	Improved teacher capacity to support early grade education and preparatory schooling	NA	3	3	3	3	3	15
6	Improved coverage under need based in-service training	NA	2.5	0	10.5	0	7	20
7	Increased use of diagnostic assessment tools for the provision of remedial support	NA	3	4	5	3	0	15
8	Increased number of school leaders demonstrating key leadership competencies and trained on DRM	NA	0.675	3	2.7	0	4.5	10.875
<b>Total</b>			<b>72.175</b>	<b>61</b>	<b>42.1</b>	<b>11.5</b>	<b>42.6</b>	<b>229.375</b>

The DLIs will be annually reviewed and verified by an Independent Verification Agency (IVA) to be contracted by the GoAP under the IPF 'Capacity Building Component'. The DLIs will be verified through pre-identified data sources, documents, and reports. The means of verification will vary from field-based sample surveys (GIS and time stamped), telephonic and/or online surveys, field-based observation, desk-based triangulation of data/information, and validation of timely release of official government orders/notifications. With the development of a state Education MIS by Year 3 of Program implementation, it will emerge as the source that collates all the required data/information for independent verification. IVA reports will serve as the basis for assessing progress towards the achievement of the DLI targets, and for disbursement authorization by the World Bank.



### Annex III: Role of Parents' Committee on the SALT Program

Section 21 of the Right to Education (RTE) Act, 2009, provides for a School Management Committee (SMC) in every school and envisages dynamic role of the community in effective monitoring of schools. The SMC (known as the Parents Committee or PC in Andhra Pradesh) works towards revitalising the school system through its positive plan of action and a constructive dialogue with other stakeholders. Its major functions are to support the quality of teaching, proper utilization of funds that are provided by the government, implementation of different schemes devised by the state as well as the central government, to create awareness regarding health among the children, to provide sanitation facilities, and to develop school infrastructure.

Under *Samagra Shiksha*, the State may carry out construction of all civil works (including buildings at school level) community participation; in places where the community is in a position to construct /carry out civil works. Under the *Nadu Nedu Program*, the PCs play an important role in the implementation. The works are to be executed by the PCs through community contracting methodology (Government Order number 87 dated November 2019).

**Constitution:** In AP, PCs are constituted in every school, other than an unaided school. In case of schools having classes for both elementary and secondary education, separate PCs shall be constituted for both. The PCs once constituted exist perpetually until its abolition or merger. However, the members of the Committee retire and fresh appointments are made as per due process.

**Composition:** The composition of the committee is of different types of members including: (a) Elected members; (b) Ex-officio Members; and (c) Co-opted members; and (d) Local Authority. Elected members include three parents - of whom at least one person is parent/ guardian of a child from the disadvantaged group and another person is a parent/ guardian of a child belonging to weaker sections. It is mandatory to have two women in the three elected members. The term of an elected member is two years (or the date of leaving-from-the-school of the member's child/ward).

Ex-officio members include Head Teacher or the in-charge Head Teacher of the school, who is also the Member Convenor; Additional Teacher Member nominated; The concerned Corporator Councillor; The Anganwadi Worker(s) serving the neighbourhood area of the school; The Multipurpose Health Worker; President of *Mahila Samakhya* of the concerned village/ward.

Co-opted members: Two school supporters from among persons who is an eminent educationist, a philanthropist, office bearer of a voluntary organization, an alumnus or such other supporter of the school; co-opted by the elected members of the PC. Local-Authority-Chairperson: The concerned Sarpanch may attend any meeting of PC.

**Election:** The PC elect the Chairperson and the Vice Chairperson from among its elected members.

#### Role of PCs in *Nadu Nedu*

1. Works are executed by the PCs through community contracting methodology.
2. Under the *Nadu Nedu Program*, the GoAP has emphasizes the following priority of facilities and amenities to schools: (i) Toilets with running water; (ii) Electrification with fans and tube lights; (iii) Drinking water supply; (iv) Furniture for students and staff; (v) Painting to school; (vi) Major and minor repairs; (vii) Green chalk boards; (viii) English labs; (ix) Compound walls.
3. Out of the nine activities listed, only four (Toilet, Drinking Water, Electrification and Major/Minor Repairs) are carried out by the PCs. Procurement amount handled by the PCs is capped at INR 500,000 in most of the schools with some exceptions where it is capped at INR 1,000,000. Procurement for three (Furniture, Painting and Green Chalk Board) is made at the state level and materials delivered to schools. For Compound Walls, the work is done through MGNREGS. English labs are set-up only in schools where sufficient space is available.



4. Before commencement of the work by the PC, District Office releases 15 percent of the estimated project cost as revolving fund towards labour charges into the account of the PC of the concerned school to meet up the labour charges. Another 15 percent will be released after 80 percent of the revolving fund is spent towards labour charges.
5. Five members from the PC (with three women members) have the powers for cheque signing. Besides these five members, the HM and the field engineer as authorized as joint account signatories. All funds required to implement the program by the PC will be deposited into this account.

**Book-keeping:** The PC shall maintain book-keeping system to account for their income and expenditure. In case of difficulty, the PCs engage services of Welfare and Education Assistant (Grama Sachivalayam) to write the books of accounts.

**Auditing:** Funds received by parents committee are covered under internal audit (by auditors appointed by the State Office of APSSS). PCs are not covered under statutory audit.

### Annex IV: Investment Project Financing Component

The focus of the IPF component will be to facilitate the provision of capacity building support to the state's nodal educational institutions. This will be managed through need-based engagement of technical experts and service providers. The IPF component will also support the development of an EMIS, the engagement of a PMC, and for hiring an IVA.

Key Expenditure/Contract	Tentative Cost	Type
Hiring of a PMC	US\$1,50,000	Consulting service
Hiring of an IVA	US\$750,000	Consulting service
Hiring of a technical support agency to support SCERT and DIETs with professional development of teachers	US\$5,000,000	Consulting service
Hiring of technical support agency to support SCERT and DIETs with professional development of <i>Anganwadi</i> workers and early grade teachers	US\$2,000,000	Consulting service
Hiring of a technical support agency to support the SAC with the development of SLSAs, school-based assessments, and remedial education materials	US\$2,000,000	Consulting service
Hiring of an agency to develop the EMIS	US\$4,750,000	Consulting service
Hiring of a vendor to provide access to PAL services in 700 schools	US\$4,000,000	Non-consulting service
<b>Total</b>	<b>US\$20,000,000</b>	

#### Financial Management for the IPF Component

The Financial Management unit at the PMU will be responsible for the fiduciary responsibilities for the IPF component; these will include: (a) ensuring compliance with all financial covenants in the IPF legal agreements; (b) budgeting, and overall management of payments and accounting function; (c) furnishing interim financial reports (IFRs) and obtaining funds from the IBRD loan on a regular basis; and (d) preparation of annual financial statements and managing the internal/ external audit process; including submission of the AFS to the World Bank within nine months of close of each Financial Year. Key aspect of the FM arrangements are:

- The PMU will project the required resources to be budgeted for the IPF component on an annual basis; these projections will be included in DoSE budget, which is then submitted to the Finance Department for incorporation into the state annual budget. A separate budget code (line item) will be set up in a manner that will allow for all project related expenditures to be separately identified, accounted, and reported.
- The FM unit will be headed by a qualified and experienced accountant in the PMU who will be responsible for managing day-to-day FM activities for the IPF component.
- All payments will be made by the Andhra Pradesh Treasuries (i.e. the CFMS) and are expected to be made centrally i.e. at the PMU. The state Financial Rules provides the required control framework for transaction control over individual items of expenditure.
- The PMU will submit semi-annual IFRs to the World Bank within 45 days of the end of each semester; based on which the loan will finance 100 percent of eligible expenditures for consulting, non-consulting services and incremental operating costs including taxes.
- In line with the legal structure of the key implementing agency the audit of the IPF component will be conducted by a firm of Chartered Accountants, selected on a competitive basis. In addition to the firm giving a certificate for the PforR component, they shall also issue a certificate for the IPF component. This audit report will be submitted to the World Bank within nine months of the close of each financial year.

#### Procurement for the IPF Component:

All procurements under the IPF component of the project will be conducted following the Bank's Procurement Regulations, July 2016 (Revised November 2020). The PMU under the State Implementation Society (SIS) for *Samagra*



*Shiksha* will be responsible for the procurements under the IPF component. Procurement risks related to the IPF component includes inexperience of the SIS PMU to process consultancy services following World Bank Procurement Regulations which may lead to delay in getting the necessary consulting firms on board. Procurement risks under the IPF component will be mitigated by: (i) using procurement skilled officials/specialists; (ii) prior and post procurement reviews by the Bank; (iii) providing extensive trainings and handholding support to the PMU during the initial phase of the project so that they are able to follow the procedures for a Bank-financed IPF project; (iv) using the Bank's online procurement planning and management portal, Systematic Tracking of Exchanges in Procurement (STEP), to manage and track timeliness of the procurement activities; (v) following the Bank's Standard Procurement Documents or where not available using model documents agreed with the Bank; and (vi) using electronic procurement portal of AP for doing all procurements under the IPF component.

The project has already prepared a simplified Project Procurement Strategy for Development (PPSD) for the IPF component. The PPSD spelled out the detailed procurement arrangements (e.g., procurement packaging strategy, method, bid evaluation methodology of the major packages, timeline for the procurement activities, contracting arrangement etc.) including the risk mitigation measures. PPSD is a live document and it is to be updated at least annually. As an output of the PPSD exercise, Procurement Plan for the IPF component has been developed by the PMU which the Bank accepted through STEP. Procurement Plan contains the procurement activities to be financed under the IPF Component, the selection methods for procurement, market approach, contracting arrangement, estimated costs, Bank's prior review requirements, timeline of the procurement activities, and other conditions related to procurement. The PMU has already advanced the 5 consultancy procurement packages including IVA. Shortlisting for these 5 packages are already completed and Request for Proposals (RFPs) are issued to the shortlisted firms. With the progress so far, the project is likely to have these contracts award ready before the negotiation of the project.