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**LOAN NUMBER 9170-PK**

# **Loan Agreement**

**(Punjab Resource Improvement and Digital Effectiveness)**

**between**

**ISLAMIC REPUBLIC OF PAKISTAN**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

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**LOAN NUMBER 9170-PK**

**LOAN AGREEMENT**

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF PAKISTAN (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower the amount of three hundred four million Dollars (\$304,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing:
  - (a) the program as described in Part 1 (“Program”) of Schedule 1 to this Agreement; and
  - (b) the project as described in Part 2 (“Project”) of Schedule 1 to this Agreement,

(the Program and the Project hereinafter jointly referred to as the “Operation”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

- 2.05. The interest rate is the Reference Rate plus the Variable Spread; or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

### **ARTICLE III — OPERATION**

- 3.01. The Borrower declares its commitment to the objectives of the Operation. To this end, the Borrower shall carry out, through the Implementing Entity, the Operation in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Operation Agreement.

### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely that, PFMRS or RISE Punjab has been amended, suspended, terminated or waived so as to affect materially and adversely the ability of the Borrower or the Implementing Entity to perform any of its obligations under this Agreement and the Operation Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Bank to the Borrower.

### **ARTICLE V — TERMINATION**

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Borrower's Ministry of Economic Affairs.



AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF PAKISTAN

By



Authorized Representative  
Noor Ahmed

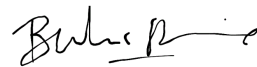
Name: \_\_\_\_\_

Title: Secretary  
\_\_\_\_\_

Date: 16-Dec-2020  
\_\_\_\_\_

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

By



Authorized Representative  
Najy Benhassine

Name: \_\_\_\_\_

Title: Country Director, Pakistan  
\_\_\_\_\_

Date: 19-Nov-2020  
\_\_\_\_\_

## **SCHEDULE 1**

### **Operation Description**

The objectives of the Operation are to increase own source revenue; and to improve reliability of resource allocation and access to digital services for people and firms in the Province of Punjab.

The Operation consists of the Program and the Project as follows:

#### **Part 1: The Program**

The Program supports the PFMRS and public finance management and governance pillars of RISE Punjab, which are the subsets of PGS, in the following areas:

##### **(a) Strengthened Budget Formulation and Fiscal Risk Management**

Activities include the support for: (i) organizational reforms in FD and P&DB; (ii) development of a medium-term fiscal framework incorporating fiscal impact of climate change; (iii) development of a regulatory framework to facilitate integration of recurrent and development budgets; (iv) improvements in public investment management; (v) management of fiscal risks, in addition to a framework of minimum standards that reflect the concerns of women, girls and vulnerable groups in disaster preparedness and response; (vi) development of a legal framework for disaster risk financing; (vii) strengthening capacity of LGs for disaster response; and (viii) establishment of the Disaster Risk Fund.

##### **(b) Increased Use of Digital Technology for Delivery of Selected Public Services**

Activities include the support for: (i) review of existing business processes to identify redundant procedures; (ii) simplifying business processes to remove redundancies; (iii) digitization of public services for citizens and firms; (iv) improving women's utilization of newly digitized services; (v) development of a legal framework for electronic payments, mobile money, digital identification, geospatial systems and cloud-based computing; and (vi) revision of PFC award to introduce a need-based formula for transfers from the Provincial Government to LGs and a performance grants scheme for targeted support to LGs for the vulnerable populations of Punjab.

(c) Improved Collection of OSR

Activities include the support for: (i) coordination of revenue policy and implementation measures; (ii) impact assessment of COVID-19 and recent past (recurrent) climate events on revenue, to inform the design of related revenue policies and the revenue mobilization strategy and plan of the Provincial Government; (iii) expansion of the service sales tax base and increased taxpayer compliance; (iv) integration of taxpayers' data across three (3) tax authorities

(selected taxes) and linkage with third party data; (v) simplification of tax administration processes and adoption of performance framework; (vi) development of online and mobile functionalities for tax payment; and (vii) building the capacity of ETNCD to modernize property valuation system to enhance revenue potential from public and private real estate.

**Part 2: The Project**

The Project consists of the following:

(a) Business Process Re-engineering

Provision of technical assistance to support, among others: (i) functional reviews of the Finance Department, P&DB, and the three (3) tax authorities; (ii) mapping, redesign and automation of business processes in three (3) tax authorities; (iii) assessment of database location and source to inform climate-based procurement decisions under Part 1(c)(iv) above, related to energy efficiency and capacity to avoid climate and geological impacts; (iv) development of e-service capabilities such as e-procurement and e-payments to vendors, e-filing and e-payment of taxes and e-submission of taxpayer appeals; (v) development of Provincial Government's public financial management regulatory framework and guidelines for their implementation; (vi) designing framework for property valuation system based on international practice; (vii) strengthening of the tax policy function within the PFMU, including building capacity within FD to develop contingency budgets to safeguard finances in case of potential climate-related incidents; (viii) establishment of research and intelligence units in the tax authorities; (ix) design of performance framework, and implementation of improved tax audit techniques by the PRA; (x) development of monitoring and accountability framework for LG gender-specific disaster preparedness and response; (xi) revision of the rules and regulations as well as the revisions in the Provincial Finance Commission Award; and (xii) establishment of a digital reforms implementation unit within PITB.

(b) Business Continuity, Monitoring and Safeguards

Provision of technical assistance to support, among others: (i) development of standard operating procedures on e-waste management; (ii) development of a comprehensive inter-operability framework and associated rules and regulations to enable integration of databases; (iii) strengthening of monitoring and evaluation systems in P&DB; (iv) development of rules and regulations to facilitate e-government; (v) development of sector masterplans, linked with overall provincial growth strategy; (vi) revision of annual development plan guidelines and rules; (vii) conducting business process review for the preparation, monitoring and evaluation of public investment projects; (viii) training and capacity building for public investment management; (ix) development of legal framework for digital identity management (including adequate online privacy and safety protections for end-users); and (x) Program impact assessment.



## SCHEDULE 2

### Operation Execution

#### Section I. Implementation Arrangements

##### A. On-lending Arrangements

1. To facilitate the carrying out of the Operation, the Borrower shall make the proceeds of the Loan available to the Implementing Entity under the same terms and conditions as those under which they are made available by the Bank to the Borrower, and in accordance with the Borrower's on-lending and budgetary policies and procedures.
2. Notwithstanding the preceding paragraph, in the event of a conflict between the on-lending and budgetary policies and procedures of the Borrower and the provision of this Agreement, including such additional instructions as the Bank shall have specified in the Disbursement and Financial Information Letter, and/or under the General Conditions, the provisions of this Agreement, including said additional instructions shall govern.
3. The Borrower shall exercise its rights under the on-lending arrangements referred to in Section I.A.1 of this Schedule 2 in such a manner as to protect its interest and those of the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive its rights under such arrangements.

##### B. Steering Committee

The Borrower shall cause the Implementing Entity to maintain, throughout the period of implementation of the Operation, a Public Financial Management Reform Steering Committee comprised of officials of various government entities, in adequate numbers and under terms of reference satisfactory to the Bank, vested with the responsibility of overseeing the implementation of the Operation in their respective agencies.

**C. Additional Operation Implementation Arrangements**

1. The Borrower shall cause the Implementing Entity to carry out the Program Action Plan in accordance with the schedule set out in the said Program Action Plan in a manner satisfactory to the Bank.
2. The Borrower shall, or cause the Implementing Entity to ensure that collection, storage, usage or processing of personal data are carried out with due regard to appropriate data protection and privacy standards and practices.

**Section II. Excluded Activities**

The Borrower shall and cause the Implementing Entity to ensure that the Program excludes any activities which:

- A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost \$75,000,000 equivalent or more per contract; (2) goods, estimated to cost \$50,000,000 equivalent or more per contract; (3) non-consulting services, estimated to cost \$50,000,000 equivalent or more per contract; or (4) consulting services, estimated to cost \$20,000,000 equivalent or more per contract.

**Section III. Operation Monitoring, Reporting and Evaluation**

1. The Borrower shall cause the Implementing Entity to furnish to the Bank each Project Report and Program Report not later than thirty (30) days after the end of each calendar semester, covering the calendar semester. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Bank, in sharing any information, report or document related to the activities described in Schedule 1 to this Agreement, the Borrower shall ensure that such information, report or document does not include Personal Data.
2. For purpose of verifying the achievement of the DLRs, the Borrower shall cause the Implementing Entity to engage, not later than six (6) months after the Effective Date, an independent third-party entity or entities (the "Verification Agent"), with qualifications, experience and terms of reference satisfactory to the Bank, to undertake the verification process.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) with respect to the Program, Program Expenditures (inclusive of Taxes), finance on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Implementing Entity, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”) in the amount allocated against Categories (1) through (7) of the below table; (b) with respect to the Project, finance Eligible Expenditures in the amount allocated, and if applicable, up to the percentage set forth against Category (8) of the below table; (c) pay the Front-end Fee; and (d) pay each Interest Rate Cap or Interest Rate Collar premium.

<b>Category (including Disbursement Linked Indicator as applicable)</b>	<b>Disbursement Linked Result (as applicable)</b>	<b>Amount of the Loan (expressed in \$)</b>	<b>DLR allocation and disbursement formula (expressed in \$)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) DLI #1: Moderate and Reduce the Annual Pension Cost of the Government of Punjab	DLR 1.1: Punjab Cabinet approves the Policy Framework for Improved Management of Fiscal Risks to ensure annual presentation of fiscal risk statement to the Provincial Assembly as part of the annual budget.	35,000,000	5,000,000  Scalability: No	Not applicable
	DLR 1.2: Punjab Cabinet prepares and approves the Pension Reform Plan		10,000,000  Scalability: No	
	DLR 1.3. At least two key parameters implemented of the Pension Reform Plan		5,000,000  Scalability: Yes  2.5 million for each additional	

			parameter of the Pension Reform Plan implemented up to a maximum of 5 million	
	DLR 1.4. At least four (cumulative) key parameters implemented of the Pension Reform Plan		5,000,000  Scalability: Yes  2.5 million for each additional parameter of the Pension Reform Plan implemented, up to a maximum of 5 million.	
	DLR 1.5: At least six (cumulative) key parameters implemented of the Pension Reform Plan		5,000,000  Scalability: Yes  2.5 million for each additional parameter of the Pension Reform Plan implemented, up to a maximum of 5 million.	
	DLR 2.1. Punjab Cabinet approves: (a) establishment of fiscal management function within the Finance Department; and (b) the fiscal management policy and rules to support annual preparation of MTFP and its publication with budget		(a) 5,000,000  Scalability: No  (b) 5,000,000  Scalability: No	
(2) DLI #2: Variance between Original Budget and Actual	DLR 2.2. (a) Issuance of a single ceiling (for both current and development budgets) to line	45,000,000	(a) 5,000,000  Scalability: No	Not applicable

Expenditure Composition	departments in accordance with the DLR 2.1 above; and (b) the Finance Department establishes a joint priorities committee for regular evaluation of budget proposals		(b) 5,000,000 Scalability: No	
	DLR 2.3. During Year 3, the variance of the average of the previous three years between original budget and actual expenditure composition is less than 15%, by program administrative or functional classification		10,000,000 Scalability: Yes 4 million for 17%, and thereafter 3 million per additional reduction of 1% with the maximum up to 6 million	
	DLR 2.4. During Year 4, the variance of the average of the previous three years in original budget and actual expenditure composition is less than 13% by program administrative or functional classification		10,000,000 Scalability: Yes 4 million for 14%, and thereafter 1.5 million per additional reduction of 0.25% with the maximum up to 6 million	
	DLR 2.5. During Year 5, the variance of the average of the previous three years in original budget and actual expenditure composition is less than 10% by program administrative or functional classification		5,000,000 Scalability: Yes 1 million for 12%, and thereafter 1 million per additional reduction of 0.5%	

			with the maximum up to 4 million	
	DLR 3.1: PPRA publishes standard bidding documents on its website.		5,000,000 Scalability: No	
(3) DLI #3: Operational Budget Expenditure Processed through E-procurement	DLR 3.2: PPRA revises Punjab Procurement Rules 2014 that support implementation of e-procurement	35,000,000	5,000,000 Scalability: No	Not applicable
	DLR 3.3: PPRA pilots e-procurement in one department		10,000,000 Scalability: No	
	DLR 3.4. Implementing Entity processes 15% of Operational Budget Expenditures through e-procurement		5,000,000 Scalability: No	
	DLR 3.5: Implementing Entity processes cumulatively 30% of Operational Budget Expenditures through e-procurement		5,000,000 Scalability: Yes 2.5 million for 20%, and thereafter 0.25 million per additional 1% with the maximum up to 2.5 million	
	DLR 3.6: Implementing Entity processes cumulatively 50% of Operational Budget Expenditures through e-procurement.		5,000,000 Scalability: Yes 2.5 million for 40%, and thereafter 0.25 million per additional 1%	

			with the maximum up to 2.5 million	
	DLR 4.1: 550,000		10,000,000	
			Scalability: No	
(4) DLI #4: Citizens Accessing Government Services through Digital Platform	DLR 4.2: 900,000	45,000,000	10,000,000	Not applicable
			Scalability: Yes	
			2 million for 700,000 citizens, and thereafter 2 million per additional 50,000 citizens with the maximum up to 8 million	
			10,000,000	
	DLR 4.3: 1,200,000		Scalability: Yes	
			2 million for 1,000,000 citizens, and thereafter 2 million per additional 50,000 citizens with the maximum up to 8 million	
	DLR 4.4: 1,500,000		10,000,000	
			Scalability: Yes	
			2 million for 1,300,000 citizens, and thereafter 2 million per additional 50,000 citizens with the	

			maximum up to 8 million	
	DLR 4.5: 1,800,000		5,000,000  Scalability: Yes  1 million for 1,600,000 citizens, and thereafter 1 million per additional 50,000 citizens with the maximum up to 4 million	
	DLR 5.1: The Punjab Cabinet approves revised Provincial Finance Commission Formula with clear incentives for improving LG revenue and expenditure recording (including disaster risk financing and targeted grants for vulnerable population)		10,000,000  Scalability: No	
(5) DLI #5: Punjab Urban Local Areas Reporting on Revenues and Expenditure Position, especially related to Disaster Risk Management, Core Public Social Services and Gender	DLR 5.2: Implementing Entity rolls-out an expenditure recording system (compatible with FABS) to 19 Urban Local Areas, with the CGA notified Chart of Accounts	37,000,000	10,000,000  Scalability: No	Not applicable
	DLR 5.3: After achieving DLR 5.2, Finance Department publishes budgets and bi-annual revenue and expenditure reports of 119 Urban Local Areas (cumulative) and the provincial government.		7,000,000  Scalability: Yes  1.75 million for each 25 Urban Local Areas (up to total of 119 Urban Local Areas)	



	DLR 5.4: After achieving DLR 5.3, Finance Department publishes budgets and bi-annual revenue and expenditure reports of 219 Urban Local Areas (cumulative) and the provincial government.		5,000,000  Scalability: Yes  1.25 million for each additional 25 Urban Local Areas (up to total of 219 Urban Local Areas)	
	DLR 5.5: After achieving DLR 5.4, Finance Department publishes budgets and bi-annual revenue and expenditure reports of 319 Urban Local Areas (cumulative) and the provincial government		5,000,000  1.25 million for each additional 25 urban Local Areas (up to total of 319 Urban Local Areas)	
	DLR 6.1: Finance Department finalized assessment of impact of COVID-19 on revenue; DLR 6.2: Punjab Cabinet approves Punjab revenue mobilization strategy and implementation plan (informed by DLR6.1) and Finance Department publish these documents.		2,500,000  Scalability: No  2,500,000  Scalability: No	
(6) DLI #6: Value of Own-source Tax Revenue	DLR 6.3. Implementing Entity's own-source tax collection of Rs 215 billion	40,000,000	10,000,000  Scalability: Yes  2 million for tax collection of Rs. 200 billion, and thereafter 1 million for each additional tax collection of Rs 5	Not applicable

			billion, up to a maximum of 3 million.	
	DLR 6.4: Implementing Entity's own-source tax collection of Rs 230 billion		10,000,000  Scalability: Yes  4 million for tax collection of Rs. 220 billion, and thereafter 3 million for each additional collection of Rs. 5 billion tax up to a maximum of 6 million.	
	DLR 6.5. Implementing Entity's own-source tax collection of Rs 250 billion		10,000,000  Scalability: Yes  4 million for tax collection of Rs. 240 billion, and thereafter 3 million for each additional Rs. 5 billion collected with the maximum up to 6 million.	
	DLR 6.6. Implementing Entity's own-source tax collection of Rs.300 billion		5,000,000  Scalability: Yes  1.25 million for tax collection of Rs. 270 billion, and thereafter 1.25 million for each additional collection of Rs.10 billion up	

			to a maximum of 3.75 million.	
	DLR 7.1: Plan for database/ systems integration approved by Punjab Cabinet		5,000,000 Scalability: No	
(7) DLI #7: Database Integration in Tax Administration	DLR 7.2: PRA's linkages with 3 third parties' databases operational	37,000,000	10,000,000 Scalability: Yes  4 million for a linkage with one (1) third party, and thereafter 3 million for each additional third party up to a maximum of 6 million.	Not applicable
	DLR 7.3: PRA's linkages with 6 (cumulative) third parties' databases operational		10,000,000 Scalability: Yes  4 million for a linkage with one (1) additional third party, and thereafter 3 million for each additional third party up to a maximum of 6 million.	
	DLR 7.4: Finance Department confirms readiness of BoR and ETNCD databases (selected taxes) for linkage with PRA		3,500,000 Scalability: No	
	DLR 7.5: Functional data warehouse for 3 tax authorities of Punjab		3,500,000 Scalability: No	

	DLR 7.6: Punjab tax authorities have access to shared data with links to third parties (total 10 for PRA), accessible with taxpayer's CNIC/Name/STN		5,000,000  Scalability: No	
(8) Goods, non-consulting, consulting services, Training and Incremental Operating Costs		29,240,000		100%
(9) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.05 (b) of the General Conditions		760,000		
(10) Interest Rate Cap or Interest Rate Collar premium to be paid pursuant to Section 4.05 (c) of the General Conditions		0		
<b>TOTAL AMOUNT</b>		<b>304,000,000</b>		

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, with respect to Categories (1) through (7), no withdrawal shall be made:
  - (a) for the purposes of Section 2.03 of the Program General Conditions, for DLRs achieved prior to the Signature Date; or/and
  - (b) for any DLR until and unless the Borrower has furnished evidence satisfactory

to the Bank that said DLR has been achieved, including verification reports from the Verification Agent, based on reports prepared by the Borrower clarifying the achievement of the DLRs in accordance with the Verification Protocol.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw an amount not to exceed \$30,000,000 as an advance; provided, however, that if the DLRs in the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank as determined with reference to the Verification Protocol) to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.
  
3. Notwithstanding the provisions of Part B.1(b) of this Section, if DLR 2.3 or DLR 2.4 under Category (2) has not been achieved by the date by which the said DLR is set to be achieved, the Bank may, by notice to the Borrower: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Loan then allocated to said Category which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the formula set out in a table of this Part A; (b) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.

**C. Withdrawal Conditions for the Project**

Notwithstanding the provisions of Section IV.A of this Schedule, with respect to Category (8), no withdrawal shall be made for payments made in respect of the Project prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$ 300,000 may be made for payments made prior to this date but on or after September 15, 2020, for Eligible Expenditures.

**D. Operation Withdrawal Period**

4. The Closing Date is August 25, 2025.

**SCHEDULE 3**

**Commitment-Linked Amortization Repayment Schedule**

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

**Customized Amortization Repayment Schedule**

<b>Principal Payment Date</b>	<b>Installment Share</b>
April 15, 2026	1.5%
October 15, 2026	1.5%
April 15, 2027	2.0%
October 15, 2027	2.0%
April 15, 2028	2.0%
October 15, 2028	2.0%
April 15, 2029	2.0%
October 15, 2029	2.0%
April 15, 2030	2.0%
October 15, 2030	2.0%
April 15, 2031	2.0%
October 15, 2031	2.0%
April 15, 2032	2.0%
October 15, 2032	2.0%
April 15, 2033	2.0%
October 15, 2033	2.0%
April 15, 2034	2.0%
October 15, 2034	2.0%
April 15, 2035	2.0%
October 15, 2035	2.0%
April 15, 2036	2.0%
October 15, 2036	2.0%
April 15, 2037	2.0%
October 15, 2037	2.0%
April 15, 2038	2.0%
October 15, 2038	2.0%
April 15, 2039	2.0%

October 15, 2039	2.0%
April 15, 2040	2.0%
October 15, 2040	2.0%
April 15, 2041	2.0%
October 15, 2041	2.0%
April 15, 2042	2.0%
October 15, 2042	2.0%
April 15, 2043	2.0%
October 15, 2043	2.0%
April 15, 2044	2.0%
October 15, 2044	2.0%
April 15, 2045	2.0%
October 15, 2045	2.0%
April 15, 2046	2.0%
October 15, 2046	2.0%
April 15, 2047	2.0%
October 15, 2047	2.0%
April 15, 2048	2.0%
October 15, 2048	2.0%
April 15, 2049	2.0%
October 15, 2049	2.0%
April 15, 2050	2.5%
October 15, 2050	2.5%

## APPENDIX

### Definitions

1. “Anti-corruption Guidelines” means: (a) for purposes of paragraph 5 of the Appendix to the Program General Conditions, the Bank’s “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing,” dated February 1, 2012, and revised July 10, 2015; and (b) for purposes of paragraph 5 of the Appendix to the Project General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “BoR” means the Board of Revenue of Implementing Entity, or any successor thereto.
3. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
4. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
5. “Disaster Risk Fund” means a fund to be established under Part 1(a)(viii) of the Project in which a fixed percentage of funds are earmarked for LGs that undertake gender-specific adaptations in their disaster management operations, provisional on their compliance with the minimum standards and other gender-specific disbursement modalities.
6. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A of Schedule 2 to this Agreement.
7. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
8. “Eligible Expenditure” means the definition of Eligible Expenditure contained in the Appendix to the Project General Conditions.



9. “ETNCD” means the Excise, Taxation and Narcotics Control Department of the Implementing Entity, or any successor thereto.
10. “Finance Department” or its acronym “FD” means the Finance Department of the Implementing Entity, or any successor thereto.
11. “General Conditions” means the Program General Conditions and the Project General Conditions. In such cases, capitalized definitions are the same in both sets of General Conditions. In cases where the capitalized definitions differ, the term will be defined in this Appendix.
12. “IFMIS” means the integrated financial management information system of the Borrower, which is also called as the financial accounting and budgeting system, implemented by the Controller General of Accounts of the Borrower.
13. “Implementation Manual” means a manual adopted by the Finance Department to clarify roles and responsibilities for the implementation of the Operation.
14. “Implementing Entity” means the Province of Punjab, which is the Project Implementing Entity for the purposes of the Project and the Program Implementing Entity for the purposes of the Program.
15. “Incremental Operating Costs” means the reasonable costs of the incremental expenditures required for the Project, including consumable material and supplies; office rental costs; utilities fees; insurance; communications, advertising and newspaper subscriptions; printing and stationary costs; vehicle and/or office equipment operation and maintenance; charges for opening and operating bank accounts required for the Project, travel, lodging and per diems for Project staff, but does not include salaries or salary supplements of the Borrower’s or the Implementing Entity’s civil servants, except for the salaries and/or salary supplements that the Borrower’s or the Project Implementing Entity’s civil servants formally deputed to the Project to assist in the carrying out of the Project activities are entitled to in accordance with the applicable government policies during the period of their deputation.
16. “LG” means the local government (metropolitan corporation, municipal corporation, municipal committee, town committee or a Tehsil Council) established pursuant to subsection (2) of Section 3 of the Punjab Local Government Act of 2019.

17. “MTFF” means the medium-term fiscal framework of the Implementing Entity, which includes environmental costs.
18. “Operational Budget Expenditure” means the expenditures for the procurable activities within recurrent and development heads of accounts on which Punjab Public Procurement Rules are applicable.
19. “OSR” means the own source revenue (tax and non-tax revenue) of the Implementing Entity.
20. “P&DB” means the Planning and Development Board of the Implementing Entity, or any successor thereto.
21. “Pension Reform Plan” means the pension reform plan to be approved by the Punjab Cabinet under DLR 1.2, whose substance is satisfactory to the Bank, and includes changes in parametric defined benefits and options for defined contribution scheme.
22. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
23. “PFC” means Provincial Finance Commission of the Implementing Entity, or any successor thereto.
24. “PFMRS” means the Public Financial Management Reform Strategy, 2020, of the Implementing Entity to develop a robust public financial management system for equitable growth and improved service delivery.
25. “PGS” means the Punjab Growth Strategy (2019-2023) by the Planning and Development Board of the Implementing Entity, setting forth the broader growth framework.

26. “PITB” means the Punjab Information Technology Board of the Implementing Entity, or any successor thereto.
27. “Policy Framework for Improved Management of Fiscal Risks” means the policy to be approved by the Punjab Cabinet under DLR 1.1, whose substance is satisfactory to the Bank, and includes commodity financing policy and plan, fund management rules and a pension reform action plan.
28. “PPRA” means Punjab Procurement Regulatory Authority of the Implementing Entity, or any successor thereto.
29. “PRA” means the Punjab Revenue Authority of the Implementing Entity, or any successor thereto.
30. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the Project General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016.
31. “Program Action Plan” means the Implementing Entity’s plan dated September 22, 2020 and referred to in Section I.C.1 of Schedule 2 to this Agreement and Section I.C.3 of Schedule to the Operation Agreement, as may be amended from time to time with the agreement of the Bank.
32. “Program General Conditions” means “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Program-for-Results Financing”, dated December 14, 2018 (revised on August 1, 2020).
33. “Project General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020).
34. “Provincial Assembly” means the provincial assembly of the Implementing Entity.
35. “Provincial Finance Commission Award” means an allocation to one or more local governments, and village and neighborhood councils panchayats and neighborhood councils under Section 186 of the Punjab Local Government Act of 2019 in accordance with the Provincial Finance Commission Formula.

36. “Provincial Finance Commission” means a commission of the Implementing Entity, nominated under Section 174 of the Punjab Local Government Act of 2019, or any successor thereto.
37. “Provincial Finance Commission Formula” means the formula for determining the size of provincial allocable amount and the share of local governments and village and neighborhood councils from this amount, pursuant to the Punjab Local Government Act of 2019.
38. “Provincial Government” means the government of the Implementing Entity.
39. “Public Financial Management Reform Steering Committee” means the committee overseeing the implementation of the Operation as notified by the FD.
40. “Public Financial Management Unit” or its acronym “PFMU” means the unit in the FD of the Implementing Entity, responsible for the day-to-day management of the Operation.
41. “Punjab Cabinet” means the cabinet of the ministers with Chief Minister as its head as mentioned in Article 130 of the Constitution of the Borrower.
42. “Punjab Pension Fund” means the fund created by the Provincial Government pursuant to the Punjab Pension Fund Act of 2007.
43. “Punjab Procurement Rules 2014” means the public procurement rules, applicable to all public procurement in the Province of Punjab, as amended by the Provincial Government from time to time.
44. “RISE Punjab” means the Responsive Investment for Social Protection and Economic Stimulus (RISE) Punjab, a strategy dated March 2020, which was adopted by the Implementing Entity to respond to the COVID-19 pandemic.
45. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
46. “Technical and Vocational Training Authority” means a body established by the Implementing Entity, pursuant to the Punjab TEVTA Act of 2010.

47. “Training” means the costs of training activities under the Project, including seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation, all based on annual work plans and budgets approved by the Bank.
48. “Urban Local Areas” means an area which displays district urban features and may be classified as metropolitan, municipality or a town under Part II, Chapter 3, Section 9 of the Punjab Local Government Act of 2019.
49. “Verification Agent” means an independent entity or entities to be engaged by the Borrower and/or the Implementing Entity for the purposes of certifying the achievement of the DLRs as referred to in Section III.2 of Schedule 2 to this Agreement.
50. “Verification Protocol” means the Borrower’s and/or Implementing Entity’s protocol, acceptable to the Bank, setting forth the means by which the achievement of DLRs will be verified under the Program, as such Verification Protocol may be amended from time to time with the prior written agreement of the Bank.
51. “Year 3” means July 1, 2022 through June 30, 2023.
52. “Year 4” means July 1, 2023 through June 30, 2024.
53. “Year 5” means July 1, 2024 through the Closing Date.