

Dr. Kazim Niaz  
Secretary  
Ministry of Economic Affairs  
Government of Pakistan  
Islamabad

Dear Dr. Niaz:

***Re: Pakistan Raises Revenue - (Credit Number 6435-PK)  
Amendments to the Financing Agreement***

We refer to the Financing Agreement dated June 17, 2019, between the Islamic Republic of Pakistan (“Recipient”) and the International Development Association (“Association”), as amended (“Financing Agreement”), for the above-mentioned Project (“Project”). We also refer to your letter dated September 13, 2023, requesting for the extension of closing date and restructuring of the Project.

We are pleased to inform you that, after due consideration, the Association agrees to your request and consequently the Financing Agreement is amended as set forth below:

1. The Annex to Schedule 2 to the Financing Agreement is amended and attached as Annex to this Amendment Letter.
2. Section III.B.4 of Schedule 2 to the Financing Agreement is amended to read as follows:  

“4. The Closing Date is June 30, 2025.

Except as specifically amended in this Amendment Letter, all other terms and conditions of the Financing Agreement shall remain in full force and effect.

The World Bank will disclose this Amendment Letter and related information on this Financing Agreement in accordance with the World Bank’s Policy on Access to Information. By entering into this Amendment Letter, the Recipient consents to disclosure of this Amendment Letter and related information.

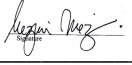
Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the form of confirmation set forth below and returning one fully countersigned original of this Amendment Letter to us and retaining one original for your records. Upon receipt by the Association of the countersigned original of this Amendment Letter, this Amendment Letter shall become effective as of the date of the countersignature of this Amendment Letter.

Yours sincerely,  
INTERNATIONAL DEVELOPMENT ASSOCIATION

*Najy Benhassine*

Najy Benhassine  
Country Director, Pakistan  
South Asia Region

**CONFIRMED AND AGREED:  
ISLAMIC REPUBLIC OF PAKISTAN**

By:   
Name: Dr. Kazim Niaz  
Title: Secretary Ministry of Economic Affairs  
Date: 06-Feb-2024

**Cc:**

**Government of Pakistan:**

***Ministry of Economic Affairs:***

Mr. Muhammad Humair Karim, Additional Secretary  
Mr. Adil Akbar Khan, Senior Joint Secretary  
Mr. Azam Khan, Deputy Secretary

***Federal Board of Revenue:***

Mr. Malik Amjed Zubair Tiwana, Chairman  
Mr. Ardsheer Salim Tariq, Member (Reforms and Modernization)  
Mr. Khalid Jamil, Project Director PRR  
Ms. Sadia Akmal, Additional Program Director PRR

**The World Bank:**

Mr. Syed Tauqir Hussain Shah, Executive Director, Pakistan  
Mr. Abdelhak Bedjaoui, Alternate Executive Director, Pakistan

## ANNEX TO SCHEDULE 2

Disbursement Linked Indicators (DLI)	Total DLI allocation, US\$	Disbursement Linked Results (DLR)						
		Baseline	YEAR 1 (July 1, 2019 – June 30, 2020)	YEAR 2 (July 1, 2020 – June 30, 2021)	YEAR 3 (July 1, 2021 – June 30, 2022)	YEAR 4 (July 1, 2022 – June 30, 2023)	YEAR 5 (July 1, 2023 – June 30, 2024)	YEAR 6 (July 1, 2024 – June 30, 2025)
<b>1.Scope of withholding regime reduced</b>		58 withholding lines	<b>DLR 1.1:</b> Withholding lines in the Annual Appropriations Act have been reduced to 50	<b>DLR 1.2:</b> Withholding lines in the Annual Appropriations Act have been reduced to 40	<b>DLR 1.3:</b> Withholding lines in the Annual Appropriations Act have been reduced to 35	<b>DLR 1.4:</b> Withholding lines in the Annual Appropriations Act have been reduced to 30	<b>DLR 1.5:</b> Reducing WHT agents by 50% in at least two sectors	<b>DLR 1.6:</b> Reducing WHT agents by 50% in four sectors (cumulative)
<i>Allocated amount</i>	\$32,000,000		\$6,736,000  Scalability: Yes \$842,000 per reduced withholding line	\$8,420,000  Scalability: Yes \$842,000 per reduced withholding line	\$4,210,000  Scalability: Yes \$842,000 per reduced withholding line	\$4,210,000  Scalability: Yes \$842,000 per reduced withholding line	\$4,212,000  Scalability: Yes \$2,106,000 per sector	\$4,212,000  Scalability: Yes \$2,106,000 per sector
<b>2. Transparent tax system</b>		Aggregate tax expenditure is published	<b>DLR 2.1:</b> MoF (with input from FBR) has published in the Annual Budget Statement a breakdown of detailed tax expenditures with cost and beneficiaries of each exemption and concession	<b>DLR 2.2:</b> MoF (with input from FBR) has published in the Annual Budget Statement a breakdown of detailed tax expenditures and evidence-based revenue forecasts	<b>DLR 2.3</b> MoF (with input from FBR) has published in the Annual Budget Statement a breakdown of detailed tax expenditures, evidence-based revenue forecasts, and tax gap estimates disaggregated	<b>DLR 2.4:</b> MoF (with input from FBR) has published in the ABS detailed tax expenditure, and evidence-based revenue forecasts.	<b>DLR 2.5:</b> MoF (with input from FBR) has published in the ABS detailed tax expenditure, and evidence-based revenue forecasts.	<b>DLR 2.6:</b> MoF (with input from FBR) has published in the ABS detailed tax expenditure and evidence-based revenue forecasts. FBR published updated tax gap estimates disaggregated by tax instrument

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					by tax instrument			
<i>Allocated Amounts</i>	\$32,000,000		\$12,000,000 Scalability: No	\$7,000,000 Scalability: No	\$6,000,000 Scalability: No	\$3,000,000 Scalability: No	\$2,000,000 Scalability: No	\$2,000,000 Scalability: No
<b>3. Coordination with Provinces</b>		One data-sharing MoU with FBR to be signed by KP Revenue Authority with FBR by June 30, 2019	<b>DLR 3.1:</b> FBR has signed Data-sharing MoUs with all provincial tax authorities (12)	<b>DLR 3.2:</b> FBR has concluded and signed written agreement with all four (4) Provinces on immovable property valuation tables	<b>DLR 3.3:</b> FBR has concluded and signed written agreement with all four (4) Provinces on a method for GST input adjustments	<b>DLR 3.4:</b> Systematic (regular) and digital data sharing system with all provinces including validation of the accuracy and reliability of data sent/received.	<b>DLR 3.5:</b> FBR has harmonized the definitions of selected economic activities subject to GST/GSTS with all 4 provinces	<b>DLR 3.6:</b> FBR has harmonized the definitions of all economic activities subject to GST/GSTS with all 4 provinces
<i>Allocated Amounts</i>	\$34,000,000		\$7,000,000 Scalability: No	\$7,000,000 Scalability: No	\$8,000,000 Scalability: No	\$6,000,000 Scalability: No	\$3,000,000 Scalability: No	\$3,000,000 Scalability: No
<b>4. Track &amp; Trace and electronic monitoring of production in Key Sectors (# of sectors)</b>		0	<b>DLR 4.1:</b> 1 sector	<b>DLR 4.2:</b> 2 sectors (cumulative)	<b>DLR 4.3:</b> 3 sectors (cumulative)	<b>DLR 4.4:</b> 4 sectors (cumulative)	<b>DLR 4.5:</b> 5 sectors (cumulative)	<b>DLR 4.6:</b> At least 20% increase in collection of taxes from two sectors using electronic production monitoring system
<i>Allocated Amounts</i>	\$22,400,000		\$3,200,000  Scalability: Yes \$3,200,000 per Sector	\$3,200,000  Scalability: Yes \$3,200,000 per Sector	\$3,200,000  Scalability: Yes \$3,200,000 per Sector	\$3,200,000  Scalability: Yes \$3,200,000 per Sector	\$3,200,000  Scalability: Yes \$3,200,000 per Sector	\$6,400,000  Scalability: Yes \$3,200,000 per Sector
<b>5. New taxpayers identified through automated data sharing, ICT-</b>		5,800	<b>DLR 5.1:</b> 50,000	<b>DLR 5.2:</b> 100,000 (in addition to DLR 5.1)	<b>DLR 5.3:</b> 300,000 (in addition to DLR 5.1 and 5.2)	<b>DLR 5.4:</b> 600,000 (in addition to DLR 5.1-5.3)	<b>DLR 5.5:</b> 500,000 (in addition to DLR 5.1-5.4)	

Disbursement Linked Indicators (DLI)	Total DLI allocation, US\$	Disbursement Linked Results (DLR)						
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<b>based Business Intelligence and other measures</b>								
<i>Allocated Amounts</i>	\$32,500,000		\$1,500,000  Scalability: Yes \$1,500,000 per 50,000 new taxpayers	\$3,000,000  Scalability: Yes \$1,500,000 per 50,000 new taxpayers	\$6,000,000  Scalability: Yes \$1,000,000 per 50,000 new taxpayers	\$12,000,000  Scalability: Yes \$1,000,000 per 50,000 new taxpayers	\$10,000,000  Scalability: Yes \$1,000,000 per 50,000 new taxpayers	
<b>6. Risk-based audit</b>		Risk-based audits piloted in one FBR office.	<b>DLR 6.1:</b> FBR has adopted a regulation on risk-based selection of audit cases, limiting audit cases selected without the risk-based system to 10% of total audits subject to clearance by the Member Audit	<b>DLR 6.2:</b> FBR has restructured its Audit Wing to include a Compliance Unit (selection of cases) and Audit Unit (conduct of tax audits)	<b>DLR 6.3:</b> FBR has completed at least 15 comprehensive field audits of Large Taxpayers for cases selected by the risk-based selection tool and monitored by the Compliance Unit through AMIS with associated reports submitted to FBR management	<b>DLR 6.4:</b> FBR has completed at least 25 additional comprehensive field audits of Large Taxpayers for cases selected by the risk-based selection tool and monitored by Compliance Unit through AMIS with associated reports submitted to FBR management	<b>DLR 6.5:</b> FBR has completed at least 45 additional comprehensive field audits of Large Taxpayers FBR and at least 15 issue-oriented audits for cases selected by the risk-based selection tool and monitored by Compliance Unit through AMIS with associated reports submitted to FBR management	
<i>Allocated Amounts</i>	\$40,000,000		\$6,000,000 Scalability: No	\$7,000,000 Scalability: No	\$8,000,000 Scalability: No	\$9,000,000 Scalability: No	\$10,000,000 Scalability: No	

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		Baseline	YEAR 1 (July 1, 2019 – June 30, 2020)	YEAR 2 (July 1, 2020 – June 30, 2021)	YEAR 3 (July 1, 2021 – June 30, 2022)	YEAR 4 (July 1, 2022 – June 30, 2023)	YEAR 5 (July 1, 2023 – June 30, 2024)	YEAR 6 (July 1, 2024 – June 30, 2025)
<b>7. GST filing simplification</b>		Online filing available on FBR website.	<b>DLR 7.1:</b> Standardized GST/GSTS tax return form agreed through a memorandum of understanding between FBR and the Provincial Tax Authorities responsible for collecting GSTS	<b>DLR 7.2:</b> Single portal for filing and paying GST and GSTS is piloted with FBR and at least one provincial GSTS authority (covering at least one sector).	<b>DLR 7.3:</b> Single portal rolled out to remaining provincial GSTS authorities with the same sector as piloted (total 4 provincial GSTS authorities).	<b>DLR 7.4:</b> Single portal is fully rolled out covering all other sectors for FBR and 4 provincial GSTS authorities.	<b>DLR 7.5:</b> Single portal automatically calculates input adjustments to all tax authorities	<b>DLR 7.6:</b> Single portal automatically calculates and enables GST refunds to taxpayers
<i>Allocated Amounts</i>	\$41,600,000		\$6,000,000 Scalability: No	\$6,000,000 Scalability: No	\$10,800,000 Scalability: No	\$12,800,000 Scalability: No	\$3,000,000 Scalability: No	\$3,000,000 Scalability: No
<b>8. Goods declarations going through the red and yellow channels at the border</b>		65%	<b>DLR 8.1:</b> 55%	<b>DLR 8.2:</b> 45%	<b>DLR 8.3:</b> 40%	<b>DLR 8.4:</b> 35%	<b>DLR 8.5:</b> 30%	<b>DLR 8.6:</b> 25%
<i>Allocated Amounts</i>	\$40,000,000		\$10,000,000 Scalability: Yes \$ 1,000,000 per one (1) percentage point reduction	\$10,000,000 Scalability: Yes \$ 1,000,000 per one (1) percentage point reduction	\$5,000,000 Scalability: Yes \$ 1,000,000 per one (1) percentage point reduction	\$5,000,000 Scalability: Yes \$ 1,000,000 per one (1) percentage point reduction	\$5,000,000 Scalability: Yes \$ 1,000,000 per one (1) percentage point reduction	\$5,000,000 Scalability: Yes \$ 1,000,000 per one (1) percentage point reduction
<b>9. FBR Core Business Processes simplified and automated</b>		3 business processes mapped (exports, transit, transshipment)	<b>DLR 9.1:</b> FBR has (i) appointed a chief information officer, or assigned the functions of this position to a senior level	<b>DLR 9.2:</b> FBR has completed 14 additional steps under the Business Process Improvement	<b>DLR 9.3:</b> FBR has completed 16 additional steps under the Business Process Improvement	<b>DLR 9.4:</b> FBR has completed 15 additional steps under the Business Process Improvement	<b>DLR 9.5:</b> FBR has eliminated and replaced previously paper-based processes with the newly automated	

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			officer (ii) assigned full-time staff from inland revenue and customs to the Business Domain Team; and (iii) completed three (3) steps under the Business Process Improvement				business processes created under the Business Process Improvement	
<i>Allocated Amounts</i>	\$35,500,000		\$8,000,000 Scalability: No	\$7,500,000 Scalability: No	\$8,000,000 Scalability: No	\$8,000,000 Scalability: No	\$4,000,000 Scalability: No	
<b>10. Organizational effectiveness and transparency</b>	.	FBR does not publish regular reports on KPIs, so no details of FBR performance are available to the public	<b>DLR 10.1:</b> KPIs for the FBR are approved by the government and published	<b>DLR 10.2:</b> FBR has published an annual report on the KPIs within three (3) months of the end of the fiscal year	<b>DLR 10.3:</b> FBR has published six-monthly report within two (2) months of the end of the second quarter and an annual report on the KPIs within three (3) months of the end of the fiscal year	<b>DLR 10.4:</b> FBR has published six-monthly report within two (2) months of the end of the second quarter and an annual report on the KPIs within three (3) months of the end of the fiscal year	<b>DLR 10.5:</b> FBR has published six-monthly report within two (2) months of the end of the second quarter and an annual report on the KPIs within three (3) months of the end of the fiscal year	
<i>Allocated Amounts</i>	\$10,000,000		\$2,000,000 Scalability: No	\$2,000,000 Scalability: No	\$2,000,000 Scalability: No	\$2,000,000 Scalability: No	\$2,000,000 Scalability: Yes US\$ 1mn each report published	