

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

Dear Dr. Niaz:

***Re: Pakistan: KP Spending Effectively for Enhanced Development - (Credit Number:6872-PK)
Amendments to the Financing Agreement***

We refer to: (a) Financing Agreement dated May 06, 2021 (“Financing Agreement”) between the Islamic Republic of Pakistan (“Recipient”) and the International Development Association (“Association”); and (b) the Operations Agreement dated May 05, 2021 (“Operations Agreement”), between the International Development Association (“Association”) and the Province of Khyber Pakhtunkhwa (“Implementing Entity”), for the above-mentioned Operation (“Operation”). We also refer to your letter dated December 13, 2022, requesting for amendments to the Financing Agreement.

We are pleased to inform you that the Association agrees to your request and consequently Annex to Schedule 2 to the Financing Agreement is amended and attached as Annex to this amendment letter.

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 Association will disclose this amendment letter and related information on this Financing Agreement in accordance with the Association’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

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

By: 
Name: Kazim Niaz
Title: Secretary Ministry of Economic Affairs
Date: 07-Apr-2023

Government of Pakistan:

Mr. Muhammad Humair Karim, Additional Secretary, Ministry of Economic Affairs
Mr. Adil Akbar Khan, Senior Joint Secretary, Ministry of Economic Affairs
Mr. Azam Khan, Deputy Secretary, Ministry of Economic Affairs

Government of Khyber Pakhtunkhwa:

Mr. Ikram Ullah Khan, Additional Chief Secretary, Planning and Development Department
Mr. Shah Mehmood Khan, Secretary, Planning and Development Department
Ms. Sarah Rahman, Chief, International Development Section, Planning and Development Department
Mr. Wasif ur Rehman, Project Director KP-SPEED

The World Bank:

Mr. Naveed Kamran Baloch, Executive Director, Pakistan
Mr. Abdelhak Bedjaoui, Alternate Executive Director, Pakistan

Meseret Kebede

Annex

ANNEX TO SCHEDULE 2

Revised Disbursement Linked Indicators

DLI	Total Financing Allocated to DLI(SDR million)	Prior Results	Disbursement Linked Results (DLRs)				
			Year 1 (FY22)	Year 2 (FY23)	Year 3 (FY24)	Year 4 (FY25)	Year 5 (FY26)
DLI 1: A costed medium term expenditure plan for primary, middle, and high school education and primary health care		DLR 1.0 Finance Department, Department of Elementary and Secondary Education and Department of Health have developed a costed MTEP to deliver: (a) minimum staffing norms for teachers in primary, middle and high schools, and medical and paramedical staff in primary health facilities based on the requirements of the minimum health service delivery package for primary	DLR 1.1 Finance Department sets, through notification, a minimum threshold for non-wage recurrent financing for health and education sectors, specifying non salary recurrent funds for primary, middle, and high schools and health centers. Scalability: No Rollover: Yes	DLR 1.2 Budget allocations to key wage, non-wage recurrent and development at least, as high as in the agreed MTEP set under DLR 1.1 Scalable: Yes Health 3.475 million Education 3.475 million Rollover: Yes	DLR 1.3 Budget releases for non-salary recurrent budget lines, at least 20% of the approved budget for FY 24, per quarter, based on the minimum threshold set under DLR 1.1. Scalable: Yes Health 3.475 million Education 3.475 million Rollover: No	DLR 1.4 Budget releases for non-salary recurrent budget lines, at least 20% of the approved budget for FY 25, per quarter, based on the minimum threshold set under DLR 1.1 Scalable: Yes Health 3.475 million Education 3.475 million Rollover: No	DLR 1.5 Budget releases for non-salary recurrent budget lines, at least 20% of the approved budget for FY 26, per quarter, based on the minimum threshold set under DLR 1.1 Scalable: Yes Health 1.732 million Education 1.732 million

		health care; (b) GoKP has prepared guidelines for provision of climate resilient basic infrastructure in primary, middle and high schools and primary health care facilities.					
Allocated amount (SDR, millions)	38.225	(a) 3.475 (b) 3.475	6.95	6.95	6.95	6.95	3.475
DLI 2: Reduction in pension expenditure		n/a	DLR 2.1 (a) Finance Department has completed revision of pension rules. (b) Finance Department has prepared a pension reform plan. Scalability: No Rollover: Yes	DLR 2.2 Finance Department has implemented at least two key parameters of the pension reform plan. Scalable: 3.475 million for each key parameter of pension reform plan implemented, upto a maximum of 6.95 million Rollover: Yes	DLR 2.3 Finance Department has implemented at least four (cumulative) key parameters of the Pension Reform Plan Scalable: 3.475 million for each additional key parameter of pension reform plan implemented, upto a maximum of 6.95 million Rollover: Yes	DLR 2.4 Finance Department has implemented at least five (cumulative) key parameters of the Pension Reform Plan Scalable: 3.475 million for each key parameter of pension reform plan implemented, upto a maximum of 3.475 million Rollover: Yes	DLR 2.5 Finance Department has implemented at least six (cumulative) key parameters of the Pension Reform Plan Scalable: 3.475 million for each key parameter of pension reform plan implemented, upto a maximum of 3.475 million
Allocated amount (SDR, millions)	27.8		(a) 3.475 (b) 3.475	6.95	6.95	3.475	3.475

DLI 3: Increased recurrent expenditure for repairs and maintenance of public investment assets		DLR 3.0 (a)The Department of Elementary and Secondary Education has prepared and approved guidelines for facility management of education sector physical assets (b)The Department of Health has prepared and approved guidelines for facility management of health sector physical assets Scalable: No Rollover: Yes	DLR 3.1 (a) Finance Department has increased repairs and maintenance recurrent expenditure by, at least, 1 percentage point over the baseline; and (b) the GoKP has notified a requirement for all departments to establish a searchable register of physical assets Scalability: (a) Scalable – 347,500 for each additional 0.1% increase up to 3.475 (b) Non-scalable Rollover: Yes	DLR 3.2 (a) Finance Department has increased repairs and maintenance recurrent expenditure by additional 1 percentage point; and (b) GoKP Health and Education Departments have established a functional register of physical assets Scalable: (a) \$347,500 for each additional 0.1% increase; (b) Education 173,750, Health 173,750 Rollover: Yes	DLR 3.3 (a) Finance Department has increased repairs and maintenance recurrent expenditure by additional 1 percentage point; and (b) The P&DD has established a unified asset register comprising at least 20% of assets registered by departments of Health and Education. Scalable: (a) Scalable – 347,500 for each additional 0.1% increase (b) Education 86,8750, Health 86,875 Rollover: Yes	DLR 3.4 (a) Finance Department has increased its repairs and maintenance recurrent expenditure by additional 1 percentage point; and (b) The P&DD has established a unified asset register comprising at least 60% of assets registered by departments of Health and Education Scalable: (a) 347,500 for each additional 0.1% increase (b) Education 86,8750, Health 86,875 Rollover: Yes	DLR 3.5 (a) Finance Department has increased its repairs and maintenance recurrent expenditure by additional 1 percentage point; and (b) The P&DD has established a unified asset register comprising at least 90% of assets registered by departments of Health and Education Scalable: (a) 347,500 for each additional 0.1% increase (b) Education 86,8750, Health 86,875
Allocated amount (SDR, millions)	31.275	(a)1.7375 (b)1.7375	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(a) 1.7375 (b) 1.7375	(a) 1.7375 (b) 1.7375
DLI4 Availability of essential supplies in schools and hospitals and		DLR 4.0 (a) FD notifies the requirement for an approved procurement	DLR 4.1 (a) As-Is and To-Be for supply chain management completed and road	DLR 4.2 (a) DESE and DoH have developed and piloted an integrated supply chain	DLR 4.3 (a) Supply Chain Management replicated in 12 districts; and (b) On	DLR 4.4 (a) Supply chain management system replicated in additional 12	DLR 4.5 (a) On average at least 80% of primary health care facilities have all the essential medicines

increased transparency		plan for budget releases (b) FD modifies budget call circular to include a procurement plan for all procuring entities.	map for implementation of the system approved by the Cabinet; (b) On average at least 60% of primary health care facilities have all the essential medicines for one year as reported in the IMU reports; and (c) At least 50% of primary, middle, and high school have all the essential supplies according to IMU reports. Scalable: No Rollover: Yes	management information system and GoKP has notified rules requiring use of an integrated supply chain management information system; and (b) On average at least 70% of primary health care facilities have all the essential medicines for one year; and at least 55% of primary, middle, and high school have all the essential supplies as reported in the IMU reports Scalable: (a) 3.475 million (b) 1.737 million for Health and 1.737 million for Education Rollover: Yes	average at least 75% of primary health care facilities have all the essential medicines for one year; and at least 60% of primary, middle, and high school have all the essential supplies as reported in the IMU reports Scalable: (a) 3.475 million (b) 1.737 million for Health and 1.737 million for Education Rollover: Yes	districts; and (b) On average at least 80% of primary health care facilities have all the essential medicines for one year; and at least 65% of primary, middle, and high school have all the essential supplies as reported by IMU Scalable: (a) 3.475 million (b) 1.737 million for Health and 1.737 million for Education Rollover: Yes	for one year; and (b) At least 65% of primary, middle, and high school have all the essential supplies as reported by the Supply Chain Management System Scalable: No
Allocated amount (SDR, millions)	34.75	(a) 1.7375 (b) 1.7375	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(a) 1.7375 (b) 1.7375
DLI 5: Primary, middle, and high schools with filled teaching staff positions according to approved staffing norms		DLR 5.0 The Department of Elementary and Secondary Education has approved the basic minimum	DLR 5.1 At least 5% of primary, middle, and high schools meet basic staffing norms for primary, middle, and high schools,	DLR 5.2 Additional 10% of primary, middle, and high schools meet basic staffing norms for primary, middle, and high schools,	DLR 5.3 Additional 10% of primary, middle, and high schools meet basic staffing norms for primary, middle, and high schools,	DLR 5.4 Additional 10% of primary, middle, and high schools meet basic staffing norms for primary, middle, and high schools,	DLR 5.5 Additional 10% of primary, middle, and high schools meet basic staffing norms for primary, middle, and high schools,

		staffing norms for primary, middle, and high schools and prepared a province wide staff deployment plan consistent with the costed sector MT Expenditure Framework developed under DLI 1.0 and allocating a specific number of posts for female teachers in girls' schools	including a minimum requirement of female teachers for each girls' school Scalable: No Rollover: Yes	including a minimum requirement of female teachers for each girls' school Scalable: 695,000 for each additional percentage point, up to 6.95 million Rollover: Yes	including a minimum requirement of female teachers for each girls' school Scalable: 695,000 for each additional percentage point, up to 6.95 million Rollover: Yes	including a minimum requirement of female teachers for each girls' school Scalable: 347,500 for each additional percentage point, up to 3.475 million Rollover: Yes	including a minimum requirement of female teachers for each girls' school Scalable: 347,500 for each additional percentage point, up to 3.475 million
Allocated amount (SDR, millions)	US\$34.75	6.95	6.95	6.95	6.95	3.475	3.475
DLI 6: Primary health care facilities with filled medical staff positions according to approved staffing norms		DLR 6.0 GoKP has approved the basic minimum staffing norms for primary health care and prepared a province wide staff deployment plan consistent with the costed sector MT Expenditure Framework developed under DLI 1.0	DLR 6.1 At least 10 % of primary health care facilities meet basic staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million Rollover: Yes	DLR 6.2 Additional 10 % of primary health care facilities meet basic staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million Rollover: Yes	DLR 6.3 Additional 10 % of primary health care facilities meet basic staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million Rollover: Yes	DLR 6.4 Additional 10 % of primary health care facilities meet basic staffing norms for primary health care Scalable: 347,500 for each additional percentage point, up to 3.475 million Rollover: Yes	DLR 6.5 At least 10 % of primary health care facilities meet basic staffing norms for primary health care Scalable: 347,500 for each additional percentage point, up to 3.475 million
Allocated amount (SDR, millions)	31.275	3.475	6.95	6.95	6.95	3.475	3.475

DLI 7: Primary, middle, and high schools and primary health care facilities have functioning basic infrastructure		DLR 7.0 (a) The Department of Elementary and Secondary Education developed a plan (consistent with the costed sector MTEP) developed under DLI 1.0) for providing climate resilient basic infrastructure to primary, middle, and high schools. (b) The Department of Health has developed a plan (consistent with the costed sector MTEP) developed under DLI 1.0) for providing climate resilient basic infrastructure to primary health care facilities.	DLR 7.1 (a) At least 5% of primary, middle, and high schools are fully equipped with climate resilient basic infrastructure (b) At least 5% of primary health care facilities are equipped with climate resilient basic infrastructure Scalable: 695,000 for each additional percentage point in equipped facilities up to 6.95 million Rollover: Yes	DLR 7.2 (a) Additional 10% of primary, middle, and high schools are fully equipped with climate resilient basic infrastructure (b) Additional 10% of primary health care facilities are equipped with climate resilient basic infrastructure Scalable: 695,000 for each additional percentage point in equipped facilities up to 6.95 million Rollover: Yes	DLR 7.3 (a) Additional 10% of primary, middle, and high schools are fully equipped with climate resilient basic infrastructure (b) Additional 10% of primary health care facilities are equipped with climate resilient basic infrastructure Scalable: 695,000 for each additional percentage point in equipped facilities up to 6.95 million Rollover: Yes	DLR 7.4 (a) Additional 10% of primary, middle, and high schools are fully equipped with climate resilient basic infrastructure (b) Additional 10% of primary health care facilities are equipped with climate resilient basic infrastructure Scalable: 695,000 for each additional percentage point in equipped facilities up to 6.95 million Rollover: Yes	DLR 7.5 (a) Additional 10% of primary, middle, and high schools are fully equipped with climate resilient basic infrastructure (b) Additional 10% of primary health care facilities are equipped with climate resilient basic infrastructure Scalable: 173,750 for each additional percentage point in equipped facilities up to 3.475 million
Allocated amount (SDR, millions)	34.75	(a) 1.7375 (b) 1.7375	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(a) 1.7375 (b) 1.7375

DLI 8: Increased facility level responsibility for budgeting and spending in primary and middle schools and primary healthcare facilities			DLR 8.1 Finance Department has developed a policy with stakeholder consultation for facility level responsibility for budgeting and expenditure management in primary and middle schools and primary health centers Scalable: No Rollover: No	DLR 8.2 Policy and detailed guidelines approved by the Cabinet Scalable: No Rollover: Yes	DLR 8.3 (a) At least 25% of primary health care facilities manage own non-wage budget as per the approved policy in DLR 8.1 and maintain up to date books of accounts (b) At least 25% of primary and middle schools manage own non-wage budget as per the approved policy in DLR 8.1 and maintain up to date books of accounts Scalable: No Rollover: Yes	DLR 8.4 (a) At least 50% of primary health care facilities manage own non-wage budget as per the approved policy in DLR 8.1 and maintain up to date books of accounts (b) At least 50% of primary and middle schools manage own non-wage budget as per the approved policy in DLR 8.1 and maintain up to date books of accounts Scalable: No Rollover: Yes	DLR 8.5 (a) At least 75% of primary health care facilities manage own non-wage budget as per the approved policy in DLR 8.1 and maintain up to date books of accounts (b) At least 75% of primary and middle schools manage own non-wage budget as per the approved policy in DLR 8.1 and maintain up to date books of accounts Scalable: No
Allocated amount (SDR, millions)	34.75		6.95	9.73	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(a) 2.085 (b) 2.085