

29-Mar-2023

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) <u>Amendments to the Financing Agreement</u>

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

Nayy Benhassine

Najy Benhassine Country Director, Pakistan

CONFIRMED AND AGREED: ISLAMIC REPUBLIC OF PAKISTAN

By: _	hezin hiez	
Name:	Kazim Niaz	
Title:	Secretary Ministry of Economic Affair	'S
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

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ANNEX TO SCHEDULE 2

Revised Disbursement Linked Indicators

	Total Financing		Disbursement Linked	Results (DLRs)			
DLI	Allocated to DLI(SDR million)	Prior Results	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	million)	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	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
		based on the requirements of the minimum health service delivery package for primary					

		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

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DLI 3: Increased		DLR 3.0	DLR 3.1	DLR 3.2	DLR 3.3	DLR 3.4	DLR 3.5
recurrent							
expenditure for		(a)The	(a) Finance				
repairs and		Department of	Department has				
maintenance of		Elementary and	increased repairs and	increased repairs	increased repairs	increased its repairs	increased its repairs
public investment		Secondary	maintenance	and maintenance	and maintenance	and maintenance	and maintenance
assets		Education has	recurrent expenditure	recurrent	recurrent	recurrent	recurrent expenditure
		prepared and	by, at least, 1	expenditure by	expenditure by	expenditure by	by additional 1
		approved	percentage point over	additional 1	additional 1	additional 1	percentage point; and
		guidelines for	the baseline; and (b)	percentage point;	percentage point;	percentage point;	(b) The Pⅅ has
		facility	the GoKP has	and (b) GoKP Health	and (b) The Pⅅ	and (b) The Pⅅ	established a unified
		management of	notified a	and Education	has established a	has established a	asset register
		education sector	requirement for all	Departments have	unified asset register	unified asset register	comprising at least
		physical assets	departments to	established a	comprising at least	comprising at least	90% of assets
		physical assets	establish a	functional register of	20% of assets	60% of assets	registered by
		(b)The	searchable register of	physical assets	registered by	registered by	departments of Health
		Department of	physical assets	physical assets	departments of	departments of	and Education
		Health has	physical assets	Scalable:	Health and	Health and Education	and Education
			0 11:1:4	Scalable:		Health and Education	
		prepared and	Scalability:	() #2.47 500 G	Education.	0 1 1 1	G 111
		approved		(a) \$347,500 for		Scalable:	Scalable:
		guidelines for	(a) Scalable –	each additional 0.1%	Scalable:		
		facility	347,500 for each	increase;		(a) 347,500 for each	(a) 347,500 for each
		management of	additional 0.1%	(b) Education	(a) Scalable –	additional 0.1%	additional 0.1%
		health sector	increase up to	173,750, Health	347,500 for each	increase	increase
		physical assets	3.475	173,750	additional 0.1%	(b) Education	(b) Education
					increase	86,8750, Health	86,8750, Health
		Scalable: No	(b) Non-scalable	Rollover: Yes	(b) Education	86,875	86,875
		Rollover: Yes			86,8750, Health		
			Rollover: Yes		86,875	Rollover: Yes	
					Rollover: Yes		
Allocated amount	31.275	(a)1.7375	(a) 3.475	(a) 3.475	(a) 3.475	(a) 1.7375	(a) 1.7375
(SDR, millions)		(b)1.7375	(b) 3.475	(b) 3.475	(b) 3.475	(b) 1.7375	(b) 1.7375
DLI4 Availability		DLR 4.0	DLR 4.1	DLR 4.2	DLR 4.3	DLR 4.4	DLR 4.5
of essential							
supplies in		(a) FD notifies	(a) As-Is and To-Be	(a) DESE and DoH	(a) Supply Chain	(a) Supply chain	(a) On average at least
schools and		the requirement	for supply chain	have developed and	Management	management system	80% of primary health
hospitals and		for an approved	management	piloted an integrated	replicated in 12	replicated in	care facilities have all
nospitais anu		procurement	completed and road	supply chain	districts; and (b) On	additional 12	the essential medicines
		Procurement	completed and road	suppry chain		additional 12	the essential methodiemes

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increased		plan for budget	map for	management	average at least 75%	districts; and (b) On	for one year; and (b)
transparency		releases	implementation of the	information system	of primary health	average at least 80%	At least 65% of
			system approved by	and GoKP has	care facilities have	of primary health care	primary, middle, and
		(b) FD modifies	the Cabinet; (b) On	notified rules	all the essential	facilities have all the	high school have all
		budget call	average at least 60%	requiring use of an	medicines for one	essential medicines	the essential supplies
		circular to	of primary health care	integrated supply	year; and at least	for one year; and at	as reported by the
		include a	facilities have all the	chain management	60% of primary,	least 65% of primary,	Supply Chain
		procurement	essential medicines	information system;	middle, and high	middle, and high	Management System
		plan for all	for one year as	and (b) On average	school have all the	school have all the	
		procuring	reported in the IMU	at least 70% of	essential supplies as	essential supplies as	Scalable: No
		entities.	reports; and (c) At	primary health care	reported in the IMU	reported by IMU	
			least 50% of primary,	facilities have all the	reports		
			middle, and high	essential medicines			
			school have all the	for one year; and at	Scalable:	Scalable:	
			essential supplies	least 55% of			
			according to IMU	primary, middle, and	(a) 3.475 million	(a) 3.475 million	
			reports.	high school have all	(b) 1.737 million for	(b) 1.737 million for	
			1	the essential	Health and 1.737	Health and 1.737	
				supplies as reported	million for Education	million for Education	
			Scalable: No	in the IMU reports			
					Rollover: Yes	Rollover: Yes	
			Rollover: Yes	Scalable:			
				(a) 3.475 million			
				(b) 1.737 million for			
				Health and 1.737			
				million for Education			
				minion for Education			
				Rollover: Yes			
Allocated amount	34.75	(a) 1.7375	(a) 3.475	(a) 3.475	(a) 3.475	(a) 3.475	(a) 1.7375
(SDR, millions)		(b) 1.7375	(b) 3.475	(a) 3.475 (b) 3.475	(a) 3.475 (b) 3.475	(b) 3.475	(a) 1.7375 (b) 1.7375
(SDR, minons)		(0) 1.7575	(0) 5.475	(0) 5.475	(0) 5.475	(0) 5.475	(0) 1.7575
DLI 5: Primary,		DLR 5.0	DLR 5.1	DLR 5.2	DLR 5.3	DLR 5.4	DLR 5.5
middle, and high							
schools with filled		The Department	At least 5% of	Additional 10% of	Additional 10% of	Additional 10% of	Additional 10% of
teaching staff		of Elementary	primary, middle, and	primary, middle, and	primary, middle, and	primary, middle, and	primary, middle, and
positions		and Secondary	high schools meet	high schools meet	high schools meet	high schools meet	high schools meet
according to		Education has	basic staffing norms	basic staffing norms	basic staffing norms	basic staffing norms	basic staffing norms
approved staffing		approved the	for primary, middle,	for primary, middle,	for primary, middle,	for primary, middle,	for primary, middle,
norms		basic minimum	and high schools,	and high schools,	and high schools,	and high schools,	and high schools,
		Suble minimulii	una men senoors,	una ingli senoois,	und ingli senoois,	una ingli senoois,	una ingli senoois,

		staffing norms for primary, middle, and high schools and prepared a province wide staff deployment plan consistent with the costed sector MT Expenditure Framework devel oped 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	US\$34.75	6.95	6.95	6.95	6.95	3.475	3.475
(SDR, millions)			DID (1			DID (4	
DLI 6: Primary		DLR 6.0	DLR 6.1	DLR 6.2	DLR 6.3	DLR 6.4	DLR 6.5
health care facilities with		GoKP has	At least 10 % of	Additional 10 % of	Additional 10 % of	Additional 10 % of	At least 10 % of
filled medical							
staff positions		approved the basic minimum	primary health care facilities meet basic	primary health care facilities meet basic	primary health care facilities meet basic	primary health care facilities meet basic	primary health care facilities meet basic
stan positions					Tacinities meet basic	facilities meet basic	Identities meet basic
						staffing norms for	staffing norms for
according to		staffing norms	staffing norms for	staffing norms for	staffing norms for	staffing norms for	staffing norms for
according to approved staffing						staffing norms for primary health care	staffing norms for primary health care
according to		staffing norms for primary health care and	staffing norms for	staffing norms for primary health care	staffing norms for primary health care		primary health care
according to approved staffing		staffing norms for primary	staffing norms for primary health care	staffing norms for	staffing norms for	primary health care	
according to approved staffing		staffing norms for primary health care and prepared a	staffing norms for primary health care	staffing norms for primary health care	staffing norms for primary health care	primary health care	primary health care
according to approved staffing		staffing norms for primary health care and prepared a province wide	staffing norms for primary health care Scalable: 695,000 for each additional percentage	staffing norms for primary health care Scalable: 695,000 for each additional	staffing norms for primary health care Scalable: 695,000 for each additional	primary health care Scalable:	primary health care Scalable: 347,500 for each additional percentage
according to approved staffing		staffing norms for primary health care and prepared a province wide staff deployment	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up	primary health care Scalable: 347,500 for each additional percentage point, up	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475
according to approved staffing		staffing norms for primary health care and prepared a province wide staff deployment plan consistent with the costed sector MT	staffing norms for primary health care Scalable: 695,000 for each additional percentage	staffing norms for primary health care Scalable: 695,000 for each additional	staffing norms for primary health care Scalable: 695,000 for each additional	primary health care Scalable: 347,500 for each additional	primary health care Scalable: 347,500 for each additional percentage
according to approved staffing		staffing norms for primary health care and prepared a province wide staff deployment plan consistent with the costed sector MT Expenditure	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475 million	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475
according to approved staffing		staffing norms for primary health care and prepared a province wide staff deployment plan consistent with the costed sector MT Expenditure Framework	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up	primary health care Scalable: 347,500 for each additional percentage point, up	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475
according to approved staffing		staffing norms for primary health care and prepared a province wide staff deployment plan consistent with the costed sector MT Expenditure Framework developed under	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475 million	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475
according to approved staffing norms		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	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million Rollover: Yes	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million Rollover: Yes	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million Rollover: Yes	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475 million Rollover: Yes	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475 million
according to approved staffing	31.275	staffing norms for primary health care and prepared a province wide staff deployment plan consistent with the costed sector MT Expenditure Framework developed under	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million	staffing norms for primary health care Scalable: 695,000 for each additional percentage point, up to 6.95 million	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475 million	primary health care Scalable: 347,500 for each additional percentage point, up to 3.475

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

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DLI 8: Increased		DLR 8.1	DLR 8.2	DLR 8.3	DLR 8.4	DLR 8.5
facility level responsibility for budgeting and spending in primary and middle schools and primary healthcare facilities		Finance Department has developed a policy with stakeholder consultation for facility level responsibility for budgeting and expenditure management in	Policy and detailed guidelines approved by the Cabinet Scalable: No Rollover: Yes	(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	 (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 	(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
		management in primary and middle schools and primary health centers Scalable: No Rollover: No		(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	(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	(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
				Rollover: Yes	Scalable: No Rollover: Yes	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