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Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 23-Oct-2025 | Report No: PIDPA00229



BASIC INFORMATION

A. Basic Program Data

Project Beneficiary(ies)	Region	Operation ID	Operation Name
Pakistan	MID EAST,NORTH AFRICA,AFG,PAK	P511459	Pakistan Public Resources for Inclusive Development Multiphase Programmatic Approach: Phase 1-Sindh
Financing Instrument	Estimated Appraisal Date	Estimated Approval Date	Practice Area (Lead)
Program-for-Results Financing (PforR)	16-Oct-2025	19-Dec-2025	Macroeconomics, Trade and Investment
Borrower(s)	Implementing Agency		
The Islamic Republic of Pakistan	Province of Sindh		

Proposed Program Development Objective(s)

Strengthen the fiscal system to support macroeconomic stability and service delivery.

COST & FINANCING (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? Yes

Is this project Private Capital Enabling (PCE)? Yes

SUMMARY

Government program Cost	1,840.00
Total Operation Cost	490.00
Total Program Cost	459.75
IPF Component	30.00
Other Costs (Front-end fee,IBRD)	0.25
Total Financing	490.00
Financing Gap	0.00



FINANCING

Total World Bank Group Financing	200.00
World Bank Lending	200.00
Total Government Contribution	290.00

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. Amid a severe economic crisis at the start of fiscal year (FY) 2024, Pakistan undertook decisive measures to prevent a sovereign default, stabilize the currency, and curb inflation, including a sharp reduction in the fiscal deficit. The proposed Public Resources for Inclusive Development- Multi-Phased Approach (PRID-MPA) will help sustain the ongoing fiscal adjustment, while supporting sustainable reforms that ensure sufficient resources are available to address Pakistan’s human capital crisis, including high rates of stunting, learning poverty, and infant mortality. Poor human development outcomes have reflected inadequate and poor-quality public spending, in part due to weak coordination between provincial and federal governments. The MPA will contribute to the achievement of the Country Partnership Framework (CPF) outcomes and priorities under the ‘Uraan Pakistan’ National Economic Transformation Plan (NETP), including durably increasing tax revenue above 15 percent of GDP, reducing child stunting, and reducing learning poverty. Under the MPA, aligned with the NETP, a coherent program of Program-for-Results (P-for-R) and Investment Project Financing (IPF) operations at the federal and provincial levels will support reductions in federal fiscal deficits, increased provincial fiscal space for service delivery spending through mobilization of new revenue sources, improved vertical and horizontal coordination, and strengthened core data and public finance systems for efficient public resource use.

Sectoral and Institutional Context

2. Pakistan spends less on health and education than regional peers, and allocated spending is inefficient and poorly coordinated. Rigid public spending is dominated by interest payments, transfers, and subsidies. Development spending is low at 2 percent of GDP. Fiscal space is further constrained by a costly and complex government structure, high and rapidly growing pension costs, and significant overlaps between federal and provincial governments. Under current constitutional arrangements, substantial transfers from the federal government finance around 90 percent of provincial government spending. Weaknesses in public financial management, including limited transparency, inadequate fiscal data, heavy centralization of expenditure controls, limited accountability, and delays and leakages in procurement erode efficiency in service delivery.

3. Pakistan’s fiscal challenges reflect weaknesses in the taxation architecture. Weak revenue performance (average tax-to-GDP ratio of just 10.5 percent over the past five years) has driven recurrent fiscal deficits, debt accumulation, and periods of macroeconomic instability. A complex tax system, federal-provincial fragmentation of income tax and sales tax



base, heavy use of exemptions (4 percent of GDP in FY24), and weak compliance and enforcement capacity lead to a narrow revenue base (there are about 13.4 million registered income taxpayers and 396,000 registered sales taxpayers) and heavy reliance on direct taxation (more than 50 percent of Federal Board of Revenue (FBR) revenue) and withholding and advanced taxes. Provinces' heavy reliance on federal transfers weakens incentives to fully utilize available revenue sources, including taxation of agriculture and real estate. Consequently, the tax system raises little revenue, generates economic distortions, and imposes a high burden on the poor. Recent analysis shows that Pakistan's fiscal policies increase poverty much more, and reduce inequality much less, than average for lower-middle-income countries.¹

4. The new National Fiscal Pact represents important progress towards a more sustainable and progressive fiscal system. To support ongoing fiscal adjustments while maintaining resources for basic services, federal and all provincial governments have recently agreed to further coordinated reforms under a 'National Fiscal Pact' (NFP). These reforms are intended to address critical imbalances in Pakistan's current fiscal federalism arrangements through i) reducing federal spending in areas assigned to provinces under the 18th Constitutional Amendment of 2010, including for basic services and infrastructure; and ii) enhancing provincial fiscal space to increase spending in these areas through improving revenue collections from key provincial revenue handles, including agricultural taxation, property taxation, and the sales tax on services. Combined impacts of these reforms are expected to include i) much needed federal fiscal consolidation, addressing structural macroeconomic imbalances; ii) increased provincial spending on basic services to compensate for reduced federal spending and to address the current human capital crisis; and iii) the mobilization of underutilized and progressive revenue sources, contributing to a more equitable and efficient revenue system.

Sindh

5. Sindh, the second-largest province of Pakistan by population (55.7 million people) and the third largest province by land area, has immense potential for economic growth and successful implementation of the NFP. It is home to the city of Karachi, a heavily industrialized city with a vibrant business community and country's main seaports. The province also has abundant natural resources and the potential to create jobs. On the other hand, high poverty, large rural-urban disparities and stagnating human development outcomes have also raised a host of development challenges for Sindh. Despite relatively higher spending on education and health, Sindh ranks the lowest in all provinces in net primary enrolment rate (55 percent) and has the highest prevalence of stunting (50 percent).

6. Sindh fiscal position is underpinned by low own-source revenue collection and ballooning expenditures that generate limited economic and social returns. In recent years, the Government of Sindh has consistently generated fiscal surplus. However, it meets its expenditure needs largely by federal revenue transfers (70 percent of total provincial revenue), with limited contribution from provincial own-source revenue. Despite large population growth and high rate of urbanization, revenue collection from property taxes is negligible. Similarly, until recent legislative amendments, 80 percent of cultivated agriculture land was exempted from agriculture income tax. Meanwhile, almost 70 percent of total expenditure is on salaries and pensions, operating expenses and grants, subsidies and transfers. At the expense of large rigid current spending, development expenditures have remained consistently low.

7. Public financial management systems in Sindh suffer from inefficiencies that affect service delivery. The province has made progress in implementing the Integrated Financial Management Information System (IFMIS), but challenges remain in extending it to all tehsils and integrating it with other systems. Budget execution is hampered by delayed releases, cumbersome procedures, and limited financial management capacity at the service delivery level. This

¹ World Bank (2025) Pakistan Poverty, Equity, and Resilience Assessment World Bank, Washington DC, 2025



is particularly evident in education and health sectors, where schools and primary healthcare facilities often lack timely access to allocated funds, affecting their operational effectiveness. The Government announced a cluster policy in 2021 within the education sector to bring resources closer to the service delivery units, but implementation remains pending. Within the health sector, the provincial government has largely outsourced service delivery; however, budget allocation is incremental with no built-in accountability mechanism to monitor progress and attach resource allocation to improvement in service delivery.

8. A weak data ecosystem in the province constrains the quality of service delivery, the accountability mechanisms, and evidence-based decision-making. Despite significant investments in education and health, there has not been a commensurate improvement in human development outcomes due to governance challenges, including weak monitoring systems, limited community oversight, and inadequate performance incentives. The Sindh Bureau of Statistics (SBoS) suffers from a lack of technical expertise across all functional areas, limited talent management practices, and insufficient training programs. Technologically, it is lagging, with outdated hardware, limited software, and a workforce largely incapable of utilizing IT tools. These internal weaknesses directly impact its core functions: primary data collection is limited by expertise, resources and scope, while secondary data acquisition is hampered by poor response rates and non-compliance in data sharing by sector departments. These limitations are underpinned by institutional hurdles to reforming its business rules, leading to limited confidence in its ability to perform its mandate. Significant gains can be made via capacity building, improvement of its technological endowments, integration of administrative data from sectoral departments and employing advanced machine learning and business intelligence techniques to facilitate evidence building.

9. Under the NFP, the Government of Sindh is undertaking fiscal reforms, complementing it with wider efforts to strengthen fiscal governance. In support of the national reform agenda, the Sindh Provincial Assembly passed the Agriculture Income Tax Bill, 2025 to align taxation of agriculture income with the Federal personal and corporate income tax regime. It has also developed a pension reforms plan to curb its growing pension liabilities and is strengthening financial management by adopting e-procurement and asset disposal system and rolling out IFMIS across districts. Efforts are also underway to increase public expenditure on education and health services by reforming processes governing allocation and utilization of public resources by service delivery units.

10. The World Bank is supporting ongoing fiscal reform efforts. The World Bank has been providing technical assistance for the development and implementation of recent reforms, including through close coordination with the IMF under the Joint Domestic Resource Mobilization Initiative and with the support of the United Kingdom/FCDO support to the Pakistan@100 Multi Donor Trust fund (ReMIT window). The World Bank is supporting revenue administration reforms through the federal Pakistan Raises Revenue (PRR) Project and the Khyber Pakhtunkhwa Revenue Mobilization and Public Resource Management (KP-RMP) Project. Efforts to improve the quality of expenditure and address critical public financial management constraints have been supported by, Khyber Pakhtunkhwa Revenue Mobilization and Public Resource Management Project (KP-RMP), the Khyber Pakhtunkhwa Spending Effectively for Enhanced Development (KP-SPEED) Project, the Punjab Resource Improvement for Digital Effectiveness (PRIDE) Project, and the recently closed federal Public Financial Management and Accountability to Support Service Delivery Project.

11. The proposed MPA provides an opportunity for a nationally coherent and sequenced program of operations closely aligned with NETP and CPF priorities. The MPA represents a strengthening and consolidation of existing engagement, ensuring greater coherence, and providing a unified framework for sequencing and federal-provincial coordination on fiscal reforms. Under the first phase of the MPA, the proposed Federal P-for-R will support critical federal level revenue and expenditure reforms under the NFP. The Federal P-for-R will be implemented concurrently with the Sindh operation, to be followed by additional programs in Khyber Pakhtunkhwa, Punjab, and Balochistan. This approach



will allow sequenced and complementary implementation of critical reforms, with the MPA providing a coordination mechanism at the national level and reflecting the rebalancing between federal and provincial roles within the fiscal system envisioned under the NFP. The MPA is expected to be aligned with, and gradually replace, existing federal and provincial fiscal operational engagements which are expected to close as planned over coming years.

12. Under Phase One of the MPA, the proposed program will support fiscal reforms under the National Fiscal Pact, at the Federal level and in Sindh. Under Results Area 1, both tax policy and tax administration functions will be strengthened by supporting federal-provincial harmonization of tax bases, strengthening tax compliance and expanding the tax base to support efficient and effective revenue collection. Under Results Area 2, quality of public expenditure will be improved through rationalization of current expenditure and wider PFM reforms that strengthen budgeting processes, integrate digitization and inter-operability in government procedures, improve the flow and utilization of resources by service delivery units and ultimately, enhance transparency and accountability. Under Results Area 3, data eco-system will be strengthened to support outcomes under Result Areas 1 and 2 by providing decision makers with timely, accurate and quality information to inform fiscal policy.

PforR Program Scope

13. The Sindh Government’s program comprises strategic objectives derived from key GoS plans and complementing the National Fiscal Pact: The Government of Sindh’s Public Financial Management Reform Strategy (2021–2030) serves as the province’s overarching policy framework for strengthening fiscal governance and is the central reference point for all major reform initiatives. As a comprehensive and costed strategy, it provides an ideal platform to support the implementation of the National Fiscal Pact (NFP) in Sindh—mirroring its core objectives around enhanced provincial revenue mobilization, improved expenditure frameworks, and strengthened accountability and governance. All major sectoral strategies in Sindh—including the Sindh Tax Revenue Mobilization Plan (2022–2026), Sindh Education Sector Plan (2025–2030), and Sindh Health Improvement Plan (2025–2029)—are aligned with the PFM Strategy, reinforcing its centrality in guiding reform. While the PFM Strategy outlines a broad and ambitious reform agenda with an estimated cost of US\$1.84 billion over five years, the World Bank-financed SPRID Program (US\$200 million) supports a focused subset of this agenda, targeting three critical Results Areas to catalyze progress in priority areas.

Table 2. Alignment of the PforR Program with the government program

	<i>Government program</i>	<i>PforR Program</i>	<i>Reasons for non-alignment (if any)</i>
<i>Program Title - Sindh</i>	<i>Implementation of NFP through:</i> <ul style="list-style-type: none"> • <i>Sindh PFM Reform Strategy</i> • <i>Sindh Revenue Mobilization Strategy</i> • <i>Education Sector Plan</i> • <i>PFM Policy for Primary Healthcare</i> 	<i>Public Resource for Inclusive Development Program (Sindh)</i>	



<i>Objective</i>	<i>To implement sustainable fiscal reforms across the federating units that enhance resource mobilization and strengthen resource management. These reforms aim to promote allocative and technical efficiency, ultimately supporting improved health and education outcomes across the country.</i>	<i>To strengthen fiscal system to support macro-economic stability and service delivery</i>	<i>Substantively aligned</i>
<i>Total Cost – Sindh</i>	<i>US\$ 1.84 billion</i>	<i>US\$ 100 million IDA and US\$ 100 million IBRD</i>	<i>Focused on critical areas to increase fiscal space to improve service delivery</i>
<i>Duration (year-year)</i>	<i>NFP Duration: 2023-2028 Sindh’s PFM Reform Strategy 2021-2030</i>	<i>2025-2030</i>	<i>PforR duration extended to ensure sustainability of reforms</i>
<i>Results Areas</i>	<i>a. Increase tax revenue through reforms in agriculture, property, and services taxation. b. Improve expenditure quality by aligning expenditure with the divisions of functions. c. Improved Governance. Thorough digitization of payments, e-procurement and ease of doing business. d. Enhanced anti-corruption coordination, improved banking regulations, and expanded digital systems to support fiscal reforms nationwide.</i>	<i>a. Increase tax revenue through reforms in agriculture, property and service taxation. b. Improved quality of expenditure through right sizing, reducing subsidies, transparent budgeting and digitization of procurement and payment systems. c. Improved data for better service delivery.</i>	<i>Substantively aligned</i>

14. The first component of the Sindh Program (PforR, US\$170 million) will support progress in three Results Areas, aligned with the overall MPA:

- **Results Area I: Strengthening Provincial Own-Source Revenue Generation (US\$55 million):** this RA will support in expansion of the provincial tax base and improve filing compliance through enhanced policy and administration, including the use of compliance risk management and integrated data systems. It will implement a uniform property valuation methodology and transition to capital valuation across jurisdictions. It will also support GSTS reforms through harmonization measures, digital platforms such as IRIS and SSTR, and expansion of POS systems. Whereas Agriculture Income Tax efforts will focus on integrating digitized land records with tax databases, enabling secure data sharing, and modernizing e-tax services. Institutional assessments and process reviews will guide improvements in system efficiency and capacity.
- **Results Area II: Improving Quality of Provincial Expenditure and Strengthening Accountable Service Delivery (US\$60 million):** the program will support reduction in unsustainable spending, strengthening financial systems to



improve transparency and accountability, and addressing public financial management constraints in education and health. Specifically, it will support parametric reforms to the defined benefit pension system for existing employees and facilitate the rollout of a contributory pension system for new hires, enhancing fiscal sustainability. It will enable end-to-end digitization of government payments through integration of financial systems and deployment of electronic fund transfer mechanisms. To improve service delivery, the program will establish systems and IT infrastructure to ensure timely fund flow to frontline units, strengthen traceability, and align budget allocations with outcomes. It will also address bottlenecks in budget utilization stemming from low capacity, inconsistent releases, audit-related delays, and rigid controls.

- **Result Area III: Improved statistical and data landscape for policymaking (US\$55 million):** under this RA, the program will strengthen the institutional efficiency of the Sindh Bureau of Statistics by supporting its transition into an independent authority with the capacity to recruit technical staff, enforce data standards, and regulate public sector data. It will establish a Sindh Data Bank to integrate administrative data from health and education departments, enabling evidence-based policymaking and public access to development data. It will also enhance the Bureau’s ability to produce timely and reliable economic, environmental, and agricultural statistics, including the creation of a statistical business registry and deployment of advanced technologies for climate and disaster-related data.

15. The second component of the program (IPF, US\$30 million) will address essential needs such as technical assistance, infrastructure, including IT systems and equipment, capacity building, and overall project implementation support. It will provide targeted support for complex activities and procurements that require closer oversight and engagement from the Bank to ensure effective execution.

Indicative Sindh Operation Disbursement Linked Indicators are shown in the table below:

Results Area	Purpose of the DLI	Actual measure or variable used as Disbursement-Linked Indicator
More efficient and effective revenue collection	DLI 1.1: Increased own-source tax revenue (PKR billion)	Increased own-source tax revenue of Sindh
	DLI 1.2: Increase in number of GSTS filers	Number of GSTS filers
Strengthened allocation, efficiency, and accountability in expenditures	DLI 2.1: Pension Reform	Reducing y-o-y real growth in pension expenditure growth to zero
	DLI 2.2: Digitization of payments	Percent of total amount of provincial government transactions through a digital payment system
	DLI 2.3 Improving the availability and utilization of school non-salary budgets	Reduced deviation between allocated and utilized non-salary budget for schools to less than 10 percent
	DLI 2.4: Achieving needs-based budgeting and financing for primary health care (PHC) services in Sindh	Improved Performance of Government Dispensary (GDs), Mother & Child Health Centre (MCHCs) Basic Health Units (BHUs), Urban Health Unit/Centre and Rural Health Centres (RHCs) within the approved financing framework
Improved statistical and data landscape for policymaking	DLI 3.1: Effective and efficient Sindh Bureau of Statistics	Sindh Bureau of Statistics reformed and operational with modern governance and core functions
	DLI 3.2: Health and education data integration and the Sindh Data Bank operationalized and used	Increased availability of data in key social sectors (Education and Health) for use in planning and budgeting



	DLI 3.3: Modernized economic, fiscal, agriculture, and business statistics for decision-making	Increased availability of reliable data for fiscal and economic and sectoral planning
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16. The MPA aligns with the strategic objectives of the main development partners supporting fiscal reforms, with complementary interventions from other partners enhancing the impact of MPA efforts. The MPA has been designed in the context of Pakistan’s participation as a pilot country under the World Bank-IMF Joint Domestic Resource Mobilization Initiative, and the main reform pillars are aligned with both JDRMI priorities and the ongoing IMF-EFF program. The program has been harmonized with ongoing Asian Development Bank (ADB) support to fiscal reforms, including development policy support, in accordance with the Mutual Reliance Framework. Trust Fund support for preparation and supervision of the MPA is being provided by FCDO through the Pakistan Revenue Mobilization, Investment, and Trade (ReMIT) program, channeled through the World Bank Pakistan@100 Trust Fund. MPA activities are also being closely coordinated with ongoing FCDO PFM engagements, including joint work on public finance analytics to inform program design.

C. Proposed Program Development Objective(s)

17. The MPA Program Development Objective (PrDO) is to strengthen the fiscal system to support macroeconomic stability and service delivery. This will be achieved through i) raising tax revenues; ii) improving the efficiency and prioritization of public expenditures; and iii) strengthening the fiscal and service delivery data ecosystem. PrDO Indicators are:

- Revenue as a share of GDP (Corporate Scorecard Indicator)
- Federal current non-interest expenditure
- Provincial pension spending
- Government cash balance
- Performance on Statistical Performance Indicators
- Improved execution of school non-salary budgets
- Effective implementation of needs-based budgeting in basic health

Program Development Objective(s)

18. The project development objectives (PDOs) of individual operations under the MPA Program will align with the PrDO, while reflecting key expected outcomes specific to each operation when necessary. PDOs for both operations under the first Phase of the MPA (Federal and Sindh) are the same PDO as the overall MPA PrDO.

19. The Program Development Objective (PDO) of this Sindh operation is to strengthen the fiscal system to support macroeconomic stability and service delivery. This will be achieved through: i) raising provincial own-source tax revenues; ii) improving the efficiency of public expenditures for better service delivery; and iii) strengthening the statistical and data landscape for policymaking.



D. Environmental and Social Effects

20. At appraisal, the PforR component is expected to generate Substantial social risks and Moderate environmental risks. In Sindh, activities like increasing agricultural and property tax collection, pension reforms, and increasing sales tax on services collection are likely to generate resistance. Environmental risks include the generation of e-waste and indirect effects from reductions in exemptions and subsidies. A draft Environmental and Social Systems Assessment (ESSA) has been prepared, consulted and disclosed upon. It outlines recommendations for the Program Action Plan to help mitigate these risks, including but not limited to: E&S staffing at the Program Management Units, quantifiable and measurable citizen engagement plans and procedures, risk and vulnerability assessments, integrated Grievance Redressal Mechanisms, and the development of E-waste management procedures.

21. Given that the IPF components are limited to TA activities, procurement of consultants and IT systems, Moderate social and environmental impacts are expected. The IPF components will help reduce risks for the overall Program by providing dedicated financing for environmental and social risk management, communications and citizen engagement.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts of the IPF Component

E. Financing

Program Financing (Template)

Source	Amount (US\$, Millions)	% of Total
International Development Association (IDA)	100.00	50%
IDA Credit	100.00	50%
International Bank for Reconstruction and Development (IBRD)	100.00	50%
IBRD	100.00	50%
Total Program Financing	200.00	



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