

26-Feb-2023

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

Dear Dr. Niaz:

Re: Pakistan: Punjab Resource Improvement and Digital Effectiveness - (Loan Number:9170-PK)
Amendments to the Loan Agreement

We refer to: (a) the Loan Agreement dated December 16, 2020 (“Loan Agreement”) between the Islamic Republic of Pakistan (“Borrower”) and the International Bank for Reconstruction and Development (“Bank”); and (b) the Operations Agreement dated November 22, 2020 (“Operations Agreement”), between the International Bank for Reconstruction and Development (“Bank”) and the Province of Punjab (“Implementing Entity”), for the above-mentioned Operation (“Operation”). We also refer to your letter dated December 13, 2022, requesting amendments to the Loan Agreement.

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

The table under Section IV.A.1 of Schedule 2 to the Loan 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 Loan Agreement shall remain in full force and effect.

The World Bank will disclose this amendment letter and related information on this Loan Agreement in accordance with the World Bank’s Policy on Access to Information. By entering into this amendment letter, the Borrower consents to disclosure of this amendment letter and related information.


Please confirm your agreement to the foregoing on behalf of the Borrower 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 Bank 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 BANK FOR RECONSTRUCTION AND DEVELOPMENT



Najy Benhassine
Country Director, Pakistan

CONFIRMED AND AGREED:
ISLAMIC REPUBLIC OF PAKISTAN

By:  _____

Name: _____
Kazim Niaz

Title: _____
Secretary Ministry of Economic Affairs

Date: _____
13-Mar-2023

Cc:

Government of Pakistan:

Mr. Muhammad Humair Karim, Additional Secretary-II, 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 Punjab:

Mr. Mohammad Sohail Anwar Chaudhry, Planning & Development Board
Mr. Iftikhar Amjad, Secretary, Finance Department
Ms. Adeela Hafeez, Additional Secretary, Finance Department

The World Bank:

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

Annex

<i>Category (including Disbursement Linked Indicator as applicable)</i>	<i>Disbursement Linked Result (as applicable)</i>	<i>Amount of the Loan (expressed in \$)</i>	<i>DLR allocation and disbursement formula (expressed in \$)</i>	<i>Percentage of Expenditures to be Financed (inclusive of Taxes)</i>
(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		10,000,000 Scalability: Yes 5 million for each additional parameter of the Pension Reform Plan implemented up to a maximum of 10 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	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
			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.	
(2) DLI #2: Variance between Original Budget and Actual Expenditure Composition	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	45,000,000	(a) 5,000,000 Scalability: No (b) 5,000,000 Scalability: No	Not applicable
	DLR 2.2. (a) Issuance of a single ceiling (for both		(a) 5,000,000	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
	current and development budgets) to line 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		Scalability: No (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	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
	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	
(3) DLI #3: Operational Budget Expenditure Processed through E- procurement	DLR 3.1: PPRA publishes standard bidding documents on its website.	35,000,000	5,000,000 Scalability: No	Not applicable
	DLR 3.2: PPRA revises Punjab Procurement Rules 2014 that support implementation of e-procurement		5,000,000 Scalability: No	
	DLR 3.3: PPRA pilots e-procurement in one department		10,000,000 Scalability: No	
	DLR 3.4: PPRA updates the procurement regulations, based on the lessons learnt from the Pilot		5,000,000 Scalability: No	
	DLR 3.5: five Implementing Entities process 15% of Operational Budget		5,000,000	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
	Expenditures through e-procurement system		Scalability: Yes 1 million for each entity	
	DLR 3.6: five Implementing Entities processes 30% of Operational Budget Expenditures through e-procurement system		5,000,000 Scalability: Yes 1 million for each entity	
(4) DLI #4: Citizens Accessing Government Services through Digital Platform	DLR 4.1: 550,000	50,000,000	10,000,000 Scalability: No	Not applicable
	DLR 4.2: 900,000		10,000,000 Scalability: Yes 2 million for 700,000 citizens, and thereafter 2 million per additional 50,000 citizens with the maximum up to 8 million	
	DLR 4.3: 1,200,000		10,000,000 Scalability: Yes	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
			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	
	DLR 4.5: 1,800,000		2 million for 1,300,000 citizens, and thereafter 2 million per additional 50,000 citizens with the maximum up to 8 million 5,000,000 Scalability: Yes	
	DLR 4.6: Single digital platform development for ten services		1 million for 1,600,000 citizens, and thereafter 1 million per additional 50,000 citizens with the maximum up to 4 million 5,000,000 Scalability: Yes	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
			2 million for single digital platform for first five services and then 0.5 million for each additional services with the maximum up to 3 million	
(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 5.1: Dropped.	32,000,000		Not applicable
	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		10,000,000 Scalability: No	
	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.		10,000,000 Scalability: Yes 2.5 million for each 25 Urban Local Areas (up to total of	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
			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.		4,000,000 Scalability: Yes 1.0 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 DLR 5.6: District wise climate expenditure reports published on the website of Finance Department		4,000,000 1.0 million for each additional 25 urban Local Areas (up to total of 319 Urban Local Areas) 4,000,000	
(6) DLI #6: Value of Own- source Tax Revenue	DLR 6.1: Finance Department finalized assessment of impact of COVID-19 on revenue;	40,000,000	2,500,000 Scalability: No	Not applicable

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
	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	
	DLR 6.3. Implementing Entity's own-source tax collection of Rs 215 billion		10,000,000 Scalability: Yes 4 million for tax collection of Rs. 200 billion, and thereafter 2 million for each additional tax collection of Rs 5 billion, up to a maximum of 6 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.	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
	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.	
(7) DLI #7: Database Integration in Tax Administration	DLR 7.1: Plan for database/ systems integration approved by Punjab Cabinet	37,000,000	5,000,000 Scalability: No	Not applicable
	DLR 7.2: PRA's linkages with 3 third parties' databases operational		10,000,000 Scalability: Yes	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
			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.	
	DLR 7.3: PRA's linkages with 6 (cumulative) third parties' databases operational		10,000,000 Scalability: Yes	
	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		5,000,000 Scalability: No	

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan (expressed in \$)	DLR allocation and disbursement formula (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
	taxpayer's CNIC/Name/STN			
(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		
TOTAL AMOUNT		304,000,000		