



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
GOVERNANCE AND POLICY PROJECT FOR BALOCHISTAN  
APPROVED ON DECEMBER 28, 2016  
TO THE  
ISLAMIC REPUBLIC OF PAKISTAN

GOVERNANCE GLOBAL PRACTICE

SOUTH ASIA REGION

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**ABBREVIATIONS AND ACRONYMS**

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BRA	Balochistan Revenue Authority
FATA	Federally Administered Tribal Areas
GoB	Government of Balochistan
GPP	Governance and Policy Program
CMIS	Complaint and Management Information System
IBRD	International Bank for Reconstruction and Development
KP	Khyber Pakhtunkhwa
MDTF	Multi-Donor Trust Fund
PDO	Project Development Objective
PFM	Public Financial Management
PIM	Public Investment Management
PSDP	Public Sector Development Program
RF	Results Framework
STS	Sales Tax on Services



**BASIC DATA**

**Product Information**

Project ID P156411	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 28-Dec-2016	Current Closing Date 30-Jun-2022

**Organizations**

Borrower Islamic Republic of Pakistan	Responsible Agency
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**Project Development Objective (PDO)**

Original PDO

The Project Development Objective (PDO) is to strengthen the capacity for Sales Tax on Services collection, and improve accountability in public financial management and public service delivery in the education and irrigation sectors in Balochistan.

Current PDO

To strengthen the capacity for revenue mobilization and improve public financial management and accountability for public service delivery in Balochistan

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
TF-A3352	18-Jan-2017	18-Jan-2017	06-May-2017	30-Jun-2022	16.00	14.53	1.47

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Background

1. **The Multi-Donor Trust Fund (MDTF) for Khyber Pakhtunkhwa (KP), Federally Administered Tribal Areas (FATA), and Balochistan has played a vital role in response to development challenges in KP and Balochistan.** Established in 2010 as a financing mechanism to address post-crisis needs in KP, erstwhile FATA and Balochistan, the MDTF has created close to 15,000 jobs and tripled the Sales Tax on Services collection in KP and increased this over four times in Balochistan compared to baseline. It was also a first responder to the Novel Coronavirus Disease 2019 (COVID-19) for the Government of Khyber Pakhtunkhwa (GoKP). US\$4 million in financing was mobilized for procurement of emergency health equipment in KP through the MDTF. Procurement processes started as early as March 2020 and purchase, delivery, and use of emergency health equipment was supported. Furthermore, the MDTF has provided an entry point for International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) investment in the provinces of KP and Balochistan.

2. **The MDTF Steering Committee, comprising of 10 active donors and the Government of Pakistan (including provincial Governments of KP and Balochistan), recommended the extension of the end disbursement date of the MDTF from December 31, 2022, to December 23, 2023, to make up for delays caused by COVID-19.** This will allow the extension of the Governance and Policy Program (GPP) for Balochistan from June 30, 2022, to June 30, 2023.

3. **The Multi-Donor Trust Fund (MDTF)-financed Governance and Policy Project (GPP) for Balochistan was approved by the World Bank's Regional Vice President (RVP) for South Asia on December 28, 2016, and became effective on May 6, 2017.** The project has an allocation of US\$16 million and its original Project Development Objective (PDO) was to strengthen the capacity for Sales Tax on Services collection, and improve accountability in public financial management and public service delivery in the education and irrigation sectors in Balochistan.

4. **A level two restructuring was approved on June 9, 2020, which entailed:** (i) revision of the Project Development Objective (which now is to strengthen the capacity for revenue mobilization and improve public financial management and accountability for public service delivery in Balochistan); (ii) revision of the Results Framework; (iii) scaling up and revision of project activities; (iv) reallocation between project components and disbursement categories; and (v) extension of the closing date by two years, from June 30, 2020 to June 30, 2022.

### B. Project Status and Rationale for Restructuring

6. **This Restructuring Paper seeks the approval of the RVP to extend the closing date of the GPP for from June 30, 2022, to June 30, 2023, following the extension of the MDTF EDD to December 31, 2023.** The restructuring would allow the Government of Balochistan (GoB) to complete activities whose implementation was interrupted by the COVID-19 pandemic.

5. **To date, the project has made solid progress towards achieving its development objective.** It is currently rated as “Moderately Satisfactory” for both “Overall Implementation Progress” and “Progress towards achievement of PDO”<sup>1</sup>,

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<sup>1</sup> Per the latest Implementation Status and Results Report, approved by the World Bank Management on October 10, 2021: <https://documents1.worldbank.org/curated/en/797221633888798778/pdf/Disclosable-Version-of-the-ISR-Governance-and-Policy-Project-for-Balochistan-P156411-Sequence-No-09.pdf>



with cumulative disbursements of 91.46 percent (or US\$14.63 million of the overall commitment amount). All four components continue to make progress, as evidenced below.

**6. Component 1: Strengthening capacity for provincial revenue mobilization and federal receipts management.**

Overall progress in increasing Sales Tax on Services (STS) is satisfactory. These efforts of the Government of Balochistan (GoB) have translated into a fourfold increase in STS collection from PKR 2.2 billion in 2015 and are on track to exceed the end target PKR 12 billion in FY 2021-22. The number of registered STS taxpayers has risen from 158 in FY 2016/17 to 7,276 in FY 2021/22. The Balochistan Revenue Authority (BRA) has: (i) developed Information and Communication Technology (ICT) capacity for tax collection; (ii) strengthened taxpayer education; (iii) improved tax administration and capacity building; and (iv) developed a human resource (HR) strategy. The audit function developed and supported by GPP has identified over 700 billion PKR in unpaid taxes and has recovered over 400 billion PKR through May 2022. The GoB has taken significant strides in strengthening the legal framework for tax reforms. The Provincial Assembly has recently passed a Finance Act to address gaps in the following nine tax laws: (i) Stamp Duty Act, 1899; (ii) Balochistan Entertainments Duty Act, 1958; (iii) Balochistan Finance Act, 1964; (iv) Balochistan Finance Act, 1965; (v) Balochistan Urban Immovable Property Tax Act, 1958; (vi) Motor Vehicle Taxation Act, 1958 / Balochistan Finance Ordinance, 1984; (vii) Balochistan Finance Act 2013; (viii) Balochistan Sales Tax on Services Act, 2015, and (ix) Balochistan Infrastructure Development Cess Act, 2019.

**7. Component 2: Strengthening public financial and risk management.**

The project has initiated various activities to establish adequate structures and functions for Public Financial Management (PFM) systems. Among these is the strengthening of the procurement authority and support to the development of the e-procurement system. The system has had a limited rollout this year and will be fully available and required for use for all projects totaling 50 billion PKR and above beginning July 1, 2022. GPP is providing additional capacity building to procurement staff across Balochistan to allow the system to be mandatory for all procurement, regardless of cost, by 2023. This is the first full e-procurement system in Pakistan. The GPP is also supporting the implementation of online testing for the Public Service Commission. This has improved transparency, and increased access and opportunity to all residents of Balochistan in applying for civil service employment.

**8. Component 3: Improving public investment management (PIM) and accountability in public services.**

The ICT System for automation of development and monitoring of Public Sector Development Programme (PSDP) has been completed. Final testing is underway and, once completed, will allow the system to be used for development and monitoring of PCs I – V. The automation of the PSDP system will improve the efficiency in project assessment, formulation, implementation, and monitoring. The project has supported the preparation of a PIM assessment of the GoB; the assessment identified 72 recommendations which are being translated into an action plan. A draft PIM Framework was completed in May 2020 and has been adopted. The project has also supported an actuarial evaluation of pension scheme liability that includes projection of pension scheme payments for the next five years. The pension evaluation has resulted in three proposed pension reform options which are being considered for implementation. There has been substantial progress in Grievance Redress Mechanisms and expanding outreach to citizens, with the Provincial Ombudsman developing ways to engage with citizens and improving its resolution of cases. The ombudsman has developed a Complaint and Management Information System (CMIS) which, along with outreach campaigns, has increased cases registered from 724 in FY 2020-2021 to 1,210 and resolutions have increased from 393 to 724 in the first nine months of FY 2021-22.

**9. Component 4: Ensuring effective support for the coordination of governance reforms and the operational management of the project.**

Project implementation has improved significantly. The Government has appointed a Project Coordinator to support project implementation and the Operation Support Unit is adequately staffed with key personnel. The team has submitted the progress report and continue to meet the deadlines for submission of financial reports.



## II. DESCRIPTION OF PROPOSED CHANGES

**7. The proposed project restructuring provides a no cost extension of the project closing date from June 30, 2022 to June 30, 2023, to ensure that all critical activities and procurement packages across project activities are finalized and implemented in a manner that positively impacts the achievement of the PDO across the four components.** In addition, the end/target date of the Results Framework indicators has also been amended, to correspond to the new project closing date of June 30, 2023.

**8. The proposed extension meets the requirements of the World Bank Investment Project Financing (IPF) Directive regarding extension of closing dates, specifically:** (i) the PDO remains achievable; (ii) the performance of the Borrower remains satisfactory across all components; (iii) the World Bank and the Borrower agree on actions that will be undertaken by the Borrower to complete all project activities; and (iv) there are no outstanding audits and/or interim financial reports.

## III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓



EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A3352	Effective	30-Jun-2020	30-Jun-2022	30-Jun-2023	30-Oct-2023



**Results framework**

**COUNTRY: Pakistan**

**Governance and Policy Project for Balochistan**

**Project Development Objectives(s)**

To strengthen the capacity for revenue mobilization and improve public financial management and accountability for public service delivery in Balochistan

**Project Development Objective Indicators by Objectives/ Outcomes**

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
<b>Increased effectiveness of collection of provincial tax and non-tax revenues</b>				
Increased collection of the province's tax revenues (Text)		Total provincial revenue collected in FY 18/19 is PKR 8.437 Billion.	Total provincial revenue collection is, at least, Rs. 9 Billion.	Total provincial revenue collection is, at least, Rs. 12 Billion.
<i>Action: This indicator has been Revised</i>	<i>Rationale: 'The End target date is updated to June 30, 2023, to align it with the revised project closing date</i>			
<b>Improving public investment management and accountability in public services</b>				
All public investment assets in seven divisions of the province are geo mapped and published online (Text)		No division currently has public investment assets geo-mapped	Public investment assets in, at least, three divisions geo-mapped and published online	Public investment assets in additional four divisions geo-mapped and published online
<i>Action: This indicator has been Revised</i>	<i>Rationale: 'The End target date is updated to June 30, 2023, to align it with the revised project closing date</i>			
Complaints resolved by the Office of the Balochistan Ombudsman (Percentage)		55.00	60.00	70.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: 'The End target date is updated to June 30, 2023, to align it with the revised project closing date</i>			





Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	

**Strengthening capacity for provincial revenue mobilization and federal receipts management**

Registered Sales Tax on Services (STS) payers who filed returns in the previous year (Percentage)		43.00	50.00	60.00
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*Action: This indicator has been Revised*

**Rationale:**

*'The End target date is updated to June 30, 2023, to align it with the revised project closing date*

Enhanced human resource capacity for tax administration (Text)		HR/staffing and training plans are not available.	(i) Review and approve revised job descriptions for all positions at three tax agencies of the province.(ii) Prepare staffing and training plans on the basis of needs assessment, and in line with organizational structure and strategy	(i) Staffing and training plans are approved for implementation.  (ii) Training provided by BRA to, at least, 45 percent of the professional staff (including women) of three tax agencies.
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*Action: This indicator has been Revised*

**Rationale:**

*'The End target date is updated to June 30, 2023, to align it with the revised project closing date*

Implementation of Balochistan Revenue Mobilization Strategy (BRMS), and improved transparency of revenue performance (Text)		BRMS and implementation Plan being prepared. Revenue performance related report/s not available.	(1) FD publicly disclosed approved BRM plan; (2) FD publishes report on provincial revenue performance (including tax and	FD publishes annual progress report on implementation of BRM plan, including provincial revenue performance (tax and
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Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
			nontax collections and federal transfers data)	nontax collections and federal transfers data).
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>'The End target date is updated to June 30, 2023, to align it with the revised project closing date</b>			
<b>Strengthening public financial and risk management</b>				
Strengthened institutional framework for investment promotion (Text)		There is no investment profile; and no investment policy for Balochistan	Profiling of investment opportunities in Balochistan completed	Investment policy developed and approved by the Cabinet
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>'The End target date is updated to June 30, 2023, to align it with the revised project closing date</b>			
Operationalization of the established PFM reform units (Text)		Various unit under establishment but incomplete	(a) Debt database established and has produced, at least, one debt bulletin; and (b) Provincial Revenue Management Unit established.	(a) Fiscal Management Unit established and has produced, at least, two quarterly debt bulletins.  (b) First draft of the MTFP prepared for FY22.
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>'The End target date is updated to June 30, 2023, to align it with the revised project closing date</b>			
Improved budget formulation and management process (Text)		Existing budget formulation process is characterized by informality.	Draft budget law approved by the Cabinet	Medium Term Fiscal Framework developed
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b>			



Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
<i>The End target date is updated to June 30, 2023, to align it with the revised project closing date</i>				
Departments publishing procurement plans online (Number)		0.00	3.00	5.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>The End target date is updated to June 30, 2023, to align it with the revised project closing date</i>			
<b>Improving public investment management and accountability in public services</b>				
Public sector planning function strengthened (Text)		Inadequate system for strategic planning in the Planning and Development Department	(i) Provincial Government has approved a policy on a baseline budget for capital projects. (ii) Revised budget guidelines to limit throw-forward from a baseline.	(i) Public Sector Investment Plan developed and approved by the Cabinet.  (ii) A Public Investment Management Information System (PIMIS) established and functional.
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>The End target date is updated to June 30, 2023, to align it with the revised project closing date</i>			
Strengthened institutional framework for accountability and integrity (Text)		Legal rules for the Anti-Corruption Establishment of Balochistan Act developed	Public Accounts Committee has resolved 75 percent of pending audit reports	Integrity risk audits conducted in five of the highest spending departments
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>The End target date is updated to June 30, 2023, to align it with the revised project closing date</i>			
<b>Ensuring effective support for the coordination of governance reforms and the operational management</b>				
Public officials participating in project financed training activities (Number (Thousand))		227.00	277.00	377.00



Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
<i>Action: This indicator has been Revised</i>	<i>Rationale: The End target date is updated to June 30, 2023, to align it with the revised project closing date</i>			
Public officials participating in project financed training activities (% of which are women) (Percentage)		17.00	25.00	30.00



**The World Bank**

Governance and Policy Project for Balochistan (P156411)

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