

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

Report No.:PIDC0145593

<b>Program Name</b>	<i>KP Revenue Mobilization and Public Sector Performance Program</i>
<b>Region</b>	<i>South Asia</i>
<b>Country</b>	Pakistan
<b>Sector</b>	Governance
<b>Financing Instrument</b>	<i>Program for Results</i>
<b>Program ID</b>	<i>P162302</i>
<i>{If Add. Fin.}</i> <b>Parent Program ID</b>	<i>N/A</i>
<b>Borrower(s)</b>	Islamic Republic of Pakistan
<b>Implementing Agency</b>	Finance Department, Government of Khyber Pakhtunkhwa province
<b>Date PID Prepared</b>	December 29, 2017
<b>Estimated Date of Appraisal Completion</b>	February 26, 2018
<b>Estimated Date of Board Approval</b>	July 31, 2018
<b>Concept Review Decision</b>	Following the review of the concept, the decision was taken to proceed with the preparation of the operation.

**I. Introduction and Context**

**Pakistan is a federal state with four federated units called provinces.** The 18<sup>th</sup> Constitutional Amendment passed by the National Assembly on April 8, 2010, enhanced provincial autonomy and reshaped federal–provincial relations. The 18<sup>th</sup> Amendment notably transferred responsibility for service delivery to the provinces, while the 7<sup>th</sup> award of the National Finance Commission increased the share of provinces’ financing to 57 percent of the divisible pool of revenues and also increased their own-source revenue base by designating the General Sales Tax on Services (GSTS) as a provincial tax.

**Provisional estimates of the 2017 population census put Pakistan’s total population at 207.8 million.** The provisional estimate for FY2016/17 GDP stands at US\$305.0 billion, which translates into a per capita income of US\$1,468 corresponding to a lower-middle income economy. GDP growth has accelerated in recent years, reaching 5.3 percent in FY2016/17 from 4.5 percent in FY2015/16. The Government has set a new national poverty line that identifies 29.5 percent of Pakistanis as poor (using the latest available data of FY2013/14), whereas the recently launched Multidimensional Poverty Index (June 2016) estimates the country’s multidimensional poverty ratio at 38.8 percent.

**Khyber Pakhtunkhwa (KP) is one of the country’s smaller provinces with a population of around 30.5 million.** Formerly known as North-West Frontier Province, KP had traditionally been among the poorest parts of Pakistan. In recent years, however, the province’s economy has

seen accelerated growth driven by the services sector, which has contributed to substantial poverty reduction to levels comparable to the national average. Increased public spending on health and education has also contributed to improved human development outcomes such as rising rates of school participation and literacy, and better maternal and child health provision.

**The Government of KP has set ambitious goals to further improve the welfare of the population by increasing and making better use of the province's resources.** The province's Integrated Development Strategy 2015-2018 underscores the priority of increasing its Own-Source Revenues (OSRs) to enable increased investment in infrastructure and public services, especially education, health, and water supply and sanitation. To this end, the Government of KP has also adopted a Public Financial Management (PFM) Reform Strategy for the period 2017-2020, which comprises the following pillars: (i) resource mobilization; (ii) asset and liability management; (iii) accountability for results; (iv) policy-driven planning and budgeting; (v) comprehensive, credible, and transparent budget; and (vi) predictability and control in budget execution. The proposed World Bank-financed program will support selected results targeted under the PFM reform Strategy.

## **II. Program Development Objectives**

***PDO: To increase KP's own source revenues and improve the management of public resources for better service delivery***

***PDO indicators and end-of-program targets***

1. Increased own source tax revenues: 50% increase from FY2015/16 baseline (PKR 12.8 billion)
2. Increased budget allocations to sector programs: >25% of total budgeted expenditure
3. Annual Development Program funds spent on capital investment: >70% of annual ADP expenditure
4. Percentage of departments/agencies in targeted sectors with performance MoUs: >75%

## **III. Program Description**

The program supports targeted results in four main areas:

1. Efficient revenue mobilization
2. Budget reforms for better service delivery
3. Effective management of public assets and investments
4. Improved monitoring of targeted public services

## **IV. Initial Environmental and Social Screening**

The program is not expected to have any negative environmental or social impacts, given program interventions do not include civil works, while measures to increase government revenues will focus on increasing compliance among high-value taxpayers, so they would not have a negative impact on the poor. The program's environmental and social risk ratings is therefore Low. The Environmental and Social Safeguards Assessment for the program will

propose actions to enable the program to make positive contributions to the IDA 18 priorities on climate change and gender.

## V. Tentative financing

*US\$ 500 million*

Source:	(\$m.)
Borrower/Recipient	US\$ 400 m.
IDA	US\$ 100 m.

Total US\$ 500 m.

## VI. Contact point

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