



### Project Summary Information

September 26, 2023

<b>Project Name</b>	Second Resilient Institutions for Sustainable Economy (RISE-II) Development Policy Financing
<b>Document Code</b>	P000526
<b>AIIB member</b>	Islamic Republic of Pakistan
<b>Sector/Subsector</b>	Economic Resilience/PBF
<b>Status of Financing</b>	Under Preparation
<b>Project Description</b>	<p>RISE-II is proposed to be supported under the COVID-19 Crisis Recovery Facility (the Facility) of the Bank and co-financed with the World Bank (WB) as a Development Policy Financing (DPF) under the WB's DPF Policy to further key institutional and policy reforms. AIIB co-financed RISE-I with WB in 2020, which was first in the proposed programmatic series to assist the Government of Pakistan (GoP) strengthen its polices for improved macroeconomic management and business competitiveness in the medium term.</p> <p>The objectives of the second programmatic operation are to strengthen the country's macroeconomic management and support a more sustained and inclusive growth by mitigating the compounded socioeconomic effects of the COVID-19 pandemic and other exogenous and domestic shocks. The proposed operation will provide external financing to help GoP implement critical policy reforms to accelerate economic recovery and build the foundations for sustainable growth. Specifically, RISE-II seeks to further address key institutional and policy constraints for effective fiscal management and private sector investments to induce economic growth and reduce poverty by (i) enhancing the policy and institutional framework to improve fiscal management, and (ii) improving the regulatory framework to foster growth and competitiveness. Reforms supported by the programmatic series are relevant to current economic challenges and have already contributed to important outcomes of strengthening institutions for fiscal and debt management, broadening tax base and reducing distortions, eliminating trade barriers, and rationalizing power sector subsidies.</p>
<b>Objective</b>	Program Objectives are to enhance the policy and institutional framework to improve fiscal management, and improve the regulatory framework to foster growth and competitiveness.
<b>Expected Results</b>	Program Results will be achieved under two reform pillars.

	<p>The first pillar focuses on reforms that will enhance macro-economic stability and fiscal management by: improving fiscal policy coordination; enhancing debt management and debt transparency; broadening tax base and reducing distortions in tax policy; reducing the stock of circular debt in the power sector; and addressing unsustainable and inequitable power subsidies.</p> <p>Measures under second pillar will improve the regulatory framework to foster growth and competitiveness by: harmonization of the General Sales Tax; financial sector transparency and deepening; increasing the use of digital payments; and reducing anti-export bias of the National Tariff Policy.</p>
<b>Environmental and Social Category</b>	<p>No Categorization (WB requires environmental and social analysis of a DPF-supported program, but does not categorize it)</p>
<b>Environmental and Social Information</b>	<p>This Loan will be co-financed with the WB as lead co-financier, and the Program's Environmental and Social (ES) risks and impacts have been assessed in accordance with the WB's DPF Policy. AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to DPF operations. Therefore, as permitted by the decision of the AIIB's Board of Directors set forth in the Decisions to Support the Facility, the DPF Policy will apply to this operation in lieu of AIIB's ESP. This will ensure a harmonized approach to addressing the ES risks and impacts of the Program.</p> <p>The DPF Policy requires the WB to determine whether the specific policies supported by a development policy loan are likely to have significant social and poverty consequences (especially on the poor and vulnerable groups) or to cause significant effects on the country's environment, forests and other natural resources. The WB has determined that the policy and institutional reforms supported by this operation are unlikely to have significant adverse poverty and social effects and some Prior Actions are expected to have positive effects on gender inclusion and poverty reduction. Most policy reforms supported by this operation are expected to have positive environmental effects by increasing the budgetary allocations for environmental management and contributing directly to climate change mitigation and adaptation. One of the Prior Actions could lead to adverse environmental effects in the long term, as tariff reforms will increase export opportunities for Small and Medium Enterprises (SMEs) and higher SME production, leading to more industrial pollution, worsening air and water quality, contaminating soils, and illegal industrial urban sprawl. Overall, Pakistan has adequate legislation, policy guidelines, and institutional mechanisms in place for managing environment and natural resources.</p>

<b>Cost and Financing Plan</b>	Program cost: USD 600 million Financing Plan: <ul style="list-style-type: none"> <li>• AIB loan: USD 250 million</li> <li>• WB loan: USD 350 million (equivalent IDA credit)</li> </ul>			
<b>Borrower</b>	Islamic Republic of Pakistan			
<b>Implementing Entity</b>	Ministry of Finance			
<b>Estimated date of loan closing</b>	December 2024			
<b>Contact Points:</b>	<b>AIB</b>	<b>WB</b>	<b>Borrower</b>	<b>Implementation Organization</b>
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<b>Date of Concept Decision</b>	30 June, 2020			
<b>Date of Appraisal Decision</b>	19 September, 2023			
<b>Estimated Date of Financing Approval</b>	Q4 2023			
<b>Independent Accountability Mechanism</b>	AIB's Policy on the Project-affected People's Mechanism (PPM) addresses issues raised under AIB's ESP, which does not apply to this operation. Submissions to the PPM under the Program would, therefore, not be eligible for consideration by the PPM. The WB's independent accountability mechanism addresses issues raised by persons adversely affected by			

	a WB-financed operation and allows them to report alleged non-compliance with the WB's operational policies and procedures, including its DPF Policy.
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