

Project Implementation Monitoring Report (#2)

Reporting Period From 2024/05 To 2024/10

Pakistan : Resilient Institutions for Sustainable Economy-II

1. Project Information

Project ID:	P000526	Instrument ID:	L0526A
Member:	Pakistan	Region:	Southern Asia
Sector:	CRF-Economic Resilience/PBF	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:250.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	World Bank
ES category:	Not applicable	Borrowing Entity:	Ministry of Finance, Pakistan
Implementing Entity:			
Project Team Leader:	Aleksandr Prodan		
Responsible DG:	Konstantin Limitovskiy		
Responsible Department:	PSC2		
Project Team Members:	Yanyang Shi, Team Member; Shonell Robinson, SFD - Financial Management Specialist; Xinchen Zhang, SFD - Environment Specialist; Ting Wang, Project Counsel; Christopher Damandl, Alternate Counsel; Hanting Qi, Team Member; Hanting Qi, Project admin		
Completed Site Visits by AIIB:	Dec, 2023 No site visit, however multiple consultations were organized with World Bank and Borrower during preparation and appraisal of the financing		
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2024/04		

2. Project Summary and Objectives

Program Objectives are to enhance the policy and institutional framework to improve fiscal management, and improve the regulatory framework to foster growth and competitiveness.

RISE-II is 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 policies for improved macroeconomic management and business competitiveness in the medium term.

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

Project Implementation Monitoring Report (#2)

Reporting Period From 2024/05 To 2024/10

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.

3. Key Dates

Approval:	Dec. 21, 2023	Signing:	Dec. 22, 2023
Effective:	Dec. 22, 2023	Restructured (if any):	
Orig. Closing:	Dec. 31, 2024	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	250.00	Latest disbursement (amount/date):	249.38/Dec. 28, 2023
Undisbursed:	0.00	Disbursement Ratio (%) ¹ :	100.00

5. Project Implementation Update

The Program is promoting sound macroeconomic management and support deployment of countercyclical development expenditures to deal with combined adverse impacts of lingering COVID-19 pandemic, regional conflict and climate-induced flood disaster. The loan was made effective on 22 December 2023 and disbursed fully on 28 December 2023. Borrower has shared preliminary results under the Results Matrix, which shows that targets have been met for three of the indicators, whereas five indicators are on track. However, progress is off-track on five of the other indicators.

Components	Physical Progress	Environmental & Social Compliance	Procurement
The Program provided development policy financing to the borrower	Program results are achieved under two reform pillars. 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;	WB's 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 impacts 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	N/A

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

Project Implementation Monitoring Report (#2)

Reporting Period From 2024/05 To 2024/10

	<p>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>	<p>have significant adverse poverty and social impacts and some prior actions are expected to have positive impacts on gender inclusion and poverty reduction. Most policy reforms supported by this operation are expected to have positive environmental impacts by increasing the budgetary allocations for environmental management and contributing directly to climate change mitigation and adaptation.</p>	
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Financial Management:

N/A

6. Status of the Grievance Redress Mechanism (GRM)

WB's applicable policies will apply to this DPF Loan, and AIIB is therefore relying on WB's due diligence in relation to these policies. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a WB DPF may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service.

Communities and individuals who believe that they are adversely affected by specific country policies supported as Prior Actions may submit complaints to the responsible country authorities, appropriate local/national grievance mechanisms.

To date no grievance cases have been raised.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

Based on the preliminary reporting, out of 13 indicators, the target for 3 indicators have been achieved and an additional 5 indicators are on-track. However, progress on five indicators are off-track. The final monitoring report is expected to be completed by EOY 2024 and will be included together with the project closing report.

Remarks:

Project Objective Indicators	Indicator or level	Unit of Measure	Cumulative Target Values																				Frequency	Responsibility	Comments							
			Baseline		2018		2019		2020		2021		2022		2023		2024		2025		End Target											
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual						
Pillar 1: Reduction in the deviation between the consolidated government budget deficit and the MTFF approved by the NFC Monitoring Committee	Project	Percentage	2020	No MTFF in place in FY20; Finance Bills approved without links to an MTFF					No MTFF in place in FY20; Finance Bills approved without links to an MTFF								Deviation between budgeted primary deficit in MTFF and actual primary deficit as share of GDP is less than 1.5 percentage points	Deviation for FY23 is 1.2 percentage points of GDP.			2024	Deviation between budgeted primary deficit in MTFF and actual primary deficit as share of GDP is less than 1.5 percentage points									Status: On track; achieved for FY23.	
Pillar 1: Publication of annual borrowing plan	Project	Yes/No	2019	No detailed ABP published in FY19				No detailed ABP published in FY19									ABP published for FY25 in FY24	ABP for FY24 published on the website of the FD.			2024	ABP published for FY25 in FY24										Status: On track; achieved for FY24.
Pillar 1: Revenue collection from property transfer (Capital Value Tax on Immoveable Property and Stamp Duty)	Project	Number/Percentage	2019	PKR73.5 billion				PKR73.5 billion									An increase of at least 10 percent y-o-y	A decrease of 8.1 percent y-o-y in FY23			2024	An increase of at least 10 percent y-o-y									Status: Not on track, not achieved for FY23	
Pillar 1: Flow of Circular Debt	Project	Number	2019	PKR465 billion in				PKR465 billion									<PKR 400 billion	Flow of circular debt in H1 FY24: PKR378 billion.			2024	<PKR 400 billion									Status: Not on track, CD flow unlikely to be <PKR 400 billion in FY24.	
Pillar 1: Proportion of benefits from residential	Project	Percentage	2021	24%																	2024	65%	58 percent in FY23; 44 percent in H1 FY24.								Status: Not on track.	

Pillar 2: Number of digital transactions per year	Project	Number	2018	0.7 billion	0.7 billion											>1.8 billion	+1.2 billion digital transactions in H1 FY24.							2024	>1.8 billion						Status: On track.		
Pillar 2: Federal Government agencies' payments through the IFMIS processed digitally	Project	Yes/No	2019	Selected salaries and pension payments made digitally													All salary, pension, and vendor payments made by Federal Government agencies through the IFMIS system will be digital	Of the Federal Government, centralized entities (MDAs—Ministries, Department and Agencies) are now all processed through IFMIS (including salary pension and vendor payments). SOEs and self-accounting entities are not.										2024	All salary, pension, and vendor payments made by Federal Government agencies through the IFMIS system will be digital				Status: Achieved.
Pillar 2: Number of branchless banking accounts	Project	Number	2018	39.2 million in FY18, of which 8.3 million held by women (21 percent of total)	39.2 million in FY18, of which 8.3 million held by women (21 percent of total)												119 million by FY24, of which 34 million held by women (29 percent of total)	+114 million branchless banking accounts by end-H1 FY24, of which 35 million are held by women (30.6 percent of the total).										2024	119 million by FY24, of which 34 million held by women (29 percent of total)				Status: On track.
Pillar 2: Average total import duties ³⁴ (in percent) and average dispersion of total import duties (measured as the standard deviation)	Project	Percentage	2019	Average total: 21.7 percent in FY19 Average dispersion: 20.0 percent in FY19													Average total: 19.0 percent in FY24 Average dispersion: 19.0 percent in FY24	19.6 percent in FY23, 19.5 percent in H1 FY24.										2024	Average total: 19.0 percent in FY24 Average dispersion: 19.0 percent in FY24				Status: Not on track.

Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values														Frequency	Responsibility	Comments		
			Baseline		2021		2022		2023		2024		2025		End Target						
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual	