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PROJECT PERFORMANCE ASSESSMENT REPORT



PAKISTAN

**First and Second Programmatic Fiscally
Sustainable and Inclusive Growth
Development Policy Credit**

Report No. 149804

JUNE 23, 2020

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1818 H Street NW
Washington DC 20433
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Internet: www.worldbank.org

Attribution—Please cite the work as follows:
World Bank. 2020. Pakistan—First Programmatic Fiscally Sustainable and Inclusive Growth Development Policy Credit. Independent Evaluation Group, Project Performance Assessment Report 149804. Washington, DC: World Bank.

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Report No.: 149804

PROJECT PERFORMANCE ASSESSMENT REPORT

PAKISTAN

**FIRST PROGRAMMATIC FISCALLY SUSTAINABLE AND INCLUSIVE GROWTH
DEVELOPMENT POLICY CREDIT
(IDA-54400)**

**SECOND PROGRAMMATIC FISCALLY SUSTAINABLE AND INCLUSIVE
GROWTH DEVELOPMENT POLICY CREDIT
(IDA-56820)**

June 23, 2020

Human Development and Economic Management

Independent Evaluation Group

Currency Equivalent

Currency unit = Pakistan rupee (PR)

\$1.00 = PRs 160.00 (May 12, 2020)

Abbreviations

BISP	Benazir Income Support Programme
CCT	conditional cash transfer
DFID	UK Department for International Development
DPC	development policy credit
DPF	development policy financing
EFF	Extended Fund Facility
FSIG	Fiscally Sustainable and Inclusive Growth
FY	fiscal year
GDP	gross domestic product
IMF	International Monetary Fund
SOE	state-owned enterprise
TAGR	Trust Fund for Accelerating Growth and Reforms
UCT	unconditional cash transfer

All dollar amounts are US dollars unless otherwise indicated.

Fiscal Year

Government: July 1–June 30

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Data

This is a Project Performance Assessment Report by the Independent Evaluation Group of the World Bank Group on the Pakistan First Fiscally Sustainable and Inclusive Growth Development Policy Credit (P147557) and the Second Fiscally Sustainable and Inclusive Growth Development Policy Credit (P151620). This instrument and the methodology for this evaluation are discussed in appendix D. Following standard Independent Evaluation Group procedure, copies of the draft report were shared with relevant government officials for their review and comment; no comments were received.

First Fiscally Sustainable and Inclusive Growth Development Policy Credit (P147557)

Basic Data

Country: Pakistan	Financing source: International Development Association
Global Practice: Macroeconomics and Fiscal Management	World Bank financing commitment: SDR 258.5 million (\$400 million equivalent)
Project name: First Fiscally Sustainable and Inclusive Growth Development Policy Credit	Actual amount disbursed: SDR 258.5 million (\$402.4 million equivalent)
Project ID: P147557	Programmatic series: Yes
Financing instrument: Development policy financing	

Note: SDR = special drawing rights.

Dates

Event	Original Date	Actual Date
Approval	—	May 1, 2014
Effectiveness	—	May 6, 2014
Closing	Jun 30, 2015	Jun 30, 2015
Implementation Completion and Results Report	—	Dec 26, 2017

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Second Fiscally Sustainable and Inclusive Growth Development Policy Credit (P151620)

Basic Data

Country: Pakistan	Financing source: International Development Association
Global Practice: Macroeconomics and Fiscal Management	World Bank financing commitment: SDR 355.6 million (\$500 million equivalent)
Project name: Second Fiscally Sustainable and Inclusive Growth Development Policy Credit	Actual amount disbursed: SDR 355.6 million (\$500.1 million equivalent)
Project ID: P151620	Programmatic series: Yes
Financing instrument: Development policy financing	

Note: SDR = special drawing rights.

Dates

Event	Original Date	Actual Date
Approval	—	Jun 18, 2015
Effectiveness	Jun 26, 2015	Jun 19, 2015
Closing	Jun 30, 2016	Jun 30, 2016
Implementation Completion and Results Report	—	Dec 26, 2017

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Summary

This Project Performance Assessment Report evaluates a programmatic series of two development policy operations for Pakistan, consisting of credits in the amount of \$400 million for the First Fiscally Sustainable and Inclusive Growth Development Policy Credit (FSIG-1 DPC; IDA-54400), approved by the World Bank on May 1, 2014, and \$500 million for the Second Fiscally Sustainable and Inclusive Growth Development Policy Credit (FSIG-2 DPC; IDA-56820), approved by the World Bank on June 18, 2015. FSIG-1 closed on June 30, 2015, and FSIG-2 closed on June 30, 2016. Both operations were fully disbursed.

In 2013–14, Pakistan had been facing a serious macroeconomic crisis, and in September 2013 the new government concluded an Extended Fund Facility (EFF) agreement with the International Monetary Fund (IMF) and adopted an associated plan for substantial macroeconomic adjustment, paving the way for the accelerated preparation of the World Bank’s development policy financing program.

The FSIG DPC series was the World Bank’s first policy-based operation in Pakistan in more than a decade. The program was closely aligned with the IMF’s EFF, and support was also provided by other partners. The project development objective was “to (a) foster private and financial sector development to bolster economic growth, and (b) mobilize revenue while expanding fiscal space to priority social needs” (World Bank 2018b, 2). The objective was matched by two policy areas. The first policy area covered reforming trade tariffs, privatizing state-owned enterprises, improving business registration, developing the microinsurance sector, and improving the availability of credit information. The second policy area covered improving revenue performance and enhancing the social safety net program.

The FSIG program design emphasized the gradual acceleration of the reform pace, with more ambitious reforms delayed until FSIG-2 and a follow-up DPC. This approach was justified by the need to rebuild trust with the authorities through joint support for less sensitive and ambitious reforms. This was part of the broader World Bank strategy, which provided for the parallel delivery in 2014–15 of two DPC series: FSIG and Power Sector Reform. The decision to split the World Bank’s budget support between two parallel programs was driven by the sensitivity and risks associated with major policy reforms in tax and power tariff policies. Although the program scope was largely in line with the established practice for multisector DPCs, its results framework lacked meaningful indicators, with seven policy areas and 19 prior actions, but only six results indicators, unevenly distributed across the policy areas.

In the end, the FSIG program made important contributions to a coordinated international effort that led to improved macroeconomic resilience and gradual growth acceleration in 2014–16. Current account and fiscal deficits were reduced, and social safety nets were strengthened. This stability improved the policy environment to advance the implementation of structural reforms aimed at unlocking sustained and inclusive growth in the medium term. However, this macroeconomic improvement was not sustained after the closure of the FSIG program and the end of the IMF EFF in 2016. In 2017–18 Pakistan went through another internal political crisis, and procyclical fiscal policies led to a fiscal deficit surge in fiscal year (FY)17–18. The adoption of a new agreement with the IMF was delayed for more than two years, until summer 2019, when the government of Pakistan had completed a credible new effort to get the fiscal situation under control.

Results in specific policy areas were mixed, with more positive outcomes associated with the second subobjective, or policy area, related to revenue mobilization and social protection.

Trade tariffs. In trade policy, the FSIG-supported actions to advance trade liberalization and simplify the import tariff structure did not bring tangible results. The scale of reduction in the average import tariff was below the target, and the tariff structure remains nontransparent and distortive. The simple average statutory import tariff rate was reduced from 14.4 percent in 2013 to 12.8 percent in 2019, missing the revised program target of 12 percent.

Privatization. Although the FSIG program met its privatization target, the series did not succeed in helping the government launch a sustainable privatization program. Of five privatization transactions completed in 2014–15, only one provided for divestiture of government control. Moreover, after the FSIG program ended, all planned privatization transactions were put on hold, and none were completed after 2015.

Business regulations. There has been a significant improvement in business registration procedures, reflected in *Doing Business* indicators, which at least partially could be attributed to FSIG support through the establishment of a virtual one-stop shop. Pakistan’s overall progress in streamlining business registration was reflected in a significant improvement in the score for the *Doing Business* indicator Starting Business, from 75.4 (out of 100) in *Doing Business 2013* to 89.2 in *Doing Business 2020* (World Bank 2013a, 2020).

Credit information and microinsurance. The legal and regulatory framework for credit bureaus has been improved, as the new Credit Bureaus Act expanded consumers’ access to their credit information, in line with international good practices. The country’s

insurance sector also showed rapid expansion in 2015–17, about 13 percent per year. However, these achievements could not be fully attributed to the FSIG program, partly because some regulatory obstacles were removed after the FSIG closure, and the series' results framework did not contain relevant indicators.

Tax collection. The FSIG program contributed to a significant improvement in Pakistan's revenue performance. Its support for tax reforms and revenue management complemented that of the IMF, whose concurrent EFF program has had significantly more influence. The major program contribution in this area was associated with a significant reduction in tax exemptions, in particular through the legal amendment (a prior action of FSIG-2) to permanently eliminate the discretion of the Federal Bureau of Revenue in issuing special tax exemptions, making any proposed exemption subject to parliamentary approval. The tax to gross domestic product (GDP) ratio increased by nearly 2.5 percentage points of GDP over 2013–17, owing to a significant reduction in tax concessions and exemptions, increased rates on income taxes, and improvements in tax compliance and enforcement. In the first two years of the program, the total cost of tax exemptions was reduced by more than 0.6 percent of GDP: from 1.9 percent in FY13–14 to 1.3 percent in FY15–16. However, after reaching its peak of 12.9 percent of GDP in FY17–18, tax collection deteriorated to about 11.6 percent in FY18–19 owing to a major reemergence of tax expenditures. Critical reforms have stalled owing to opposition from interest groups.

Social protection. The FSIG program helped secure a significant expansion in budget allocations for the main social transfer programs and facilitate institutional progress in transfer administration. The expansion of unconditional cash transfers (UCTs) through the Benazir Income Support Programme, a major social benefit in Pakistan, has been steady and largely successful. The quantitative program target was mostly achieved: The number of UCT beneficiary households increased from 4.4 million in FY12–13 to 5.3 million in FY17–18, against the target of 5.5 million. Total spending on UCTs reached PRs 105 billion (about \$1 billion) in FY18–19, or 0.3 percent of GDP (against the pre-FSIG annual spending of \$65 billion in FY13–14). The UCT benefit amount was increased in steps from PRs 1,000 in early 2013 to PRs 1,566 in July 2015, somewhat mitigating cuts in the electricity subsidy and hikes in the general sales tax rate. Overall progress was supported by the stability of key personnel in the implementing agency and limited political opposition, including at the provincial level. The FSIG series also supported a major expansion in a complementary social assistance program—a conditional cash transfer to facilitate children's access to primary education among Benazir Income Support Programme UCT beneficiary households. Supported by the FSIG series, the coverage of the conditional cash transfer program increased to 32 districts in FY14–15 and 50 districts (located in all Pakistani provinces) in FY17–18; the latest program target

was 100 districts (out of 145 districts in the country) by March 2020. The conditional cash transfer budget expanded about tenfold over 2014–19.

Overall, the FSIG series and related technical assistance made a significant contribution to the government of Pakistan’s institutional strengthening and capacity building. Such institutional impact was identified at two levels. First, the program raised the overall government capacity to coordinate the design and implementation of a series of priority reforms across several sectors. Second, it helped strengthen institutional arrangements for executing some key government functions, including tax administration, social benefit administration, and business registration.

Splitting the reform program into two parallel DPC series (FSIG and Power Sector Reform) helped mitigate the policy and implementation risks of major reforms, ensure a more focused design of the respective sector programs, and strengthen accountability of core government counterparts.

Close integration of development policy financing instruments with a well-funded, well-coordinated, and relevant technical assistance program was critical for advancing reforms, especially those dependent on strengthening government capacity, such as tax and social benefit administration. FSIG-linked technical assistance projects also contributed to identifying reform priorities, setting up specific targets, monitoring the pace of implementation, and closing knowledge gaps. Available technical assistance was comprehensive, covering all policy areas, and was delivered through multiple channels. In several focus areas, technical assistance funded by the UK Department for International Development under the FSIG series was of particular value owing to its flexible design.

Close coordination and alignment with the IMF EFF program provided considerable reform synergy. Since the closure of the EFF in 2016, the reform momentum has greatly diminished, and the World Bank on its own could not restart a policy dialogue that would lead to meaningful reforms in the most sensitive policy areas (taxation, trade, privatization).

The FSIG DPC series struggled to improve the sustainability of Pakistan’s structural reforms and reduce longer-term macroeconomic risks. The country remains affected by the entrenched “stop-and-go” reform and macroeconomic cycle, reflected in frequent fiscal and balance of payments crises and regular mobilization of international rescue packages. Revenue improvements and the related reduction in the budget deficit in FY14–16 were not sustained beyond FY17–18, and a new EFF program was agreed in 2019 to address newly emerged macroeconomic imbalances.

The FSIG policy reform package did not provide a framework to build effective engagement with Pakistan’s provincial governments. Experience from earlier operations

suggests that structural reforms at the federal level in Pakistan must be complemented by a provincial effort to sustain these reforms and maximize their impact. In particular, improvements in the business environment and modernization of tax administration require significant intergovernmental cooperation.

The weaknesses in the program's results framework undermined effective monitoring of several important FSIG-supported reforms and limited the understanding of the impact of some prior actions. These prior actions include strengthening the effectiveness and coverage of tax audits, adopting new regulations in the insurance sector, and enhancing budget transparency.

Independent Evaluation Group project ratings are explained in appendix A. The evaluation methodology and evidence sources are described in appendix D.

This Project Performance Assessment Report offers the following lessons:

- **In Pakistan, the World Bank's reengagement with development policy lending after a long break benefited from the preparation of a longer-term strategy (or program) that provided for several interrelated DPCs, the availability of a large and relevant technical assistance program, and close cooperation with the IMF.** Progress made under the FSIG program in such a sensitive and capacity-demanding area as public revenue management was much more significant when compared with the World Bank's previous intervention, which was centered on self-standing investment lending. The development impact of the DPCs would have been much weaker without a long-term adaptable technical assistance package provided by the UK Department for International Development, while cooperation with the IMF EFF program was a critical precondition of success in increasing tax collection.
- **Dividing important sectoral issues among separate operations could be an effective strategy when the government is facing multiple reform challenges.** In Pakistan, splitting the DPC program into two parallel DPC series helped mitigate the risks, including those related to political economy and implementation constraints; ensure more focused design of the individual series; and strengthen accountability of core government counterparts.
- **Political economy analysis and communication support related to politically sensitive reforms were insufficient.** The privatization effort under the FSIG program was affected by an overly technical approach to the implementation of the agreed transactions that did not consider many sensitive aspects of this process. The World Bank did not fully appreciate the influence of the

stakeholders who opposed privatization and did not offer any significant communication support to the government of Pakistan in this regard.

Oscar Calvo-Gonzalez
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1. Background, Context, and Design

Background and Context

1.1 At the time of the appraisal of the first Fiscally Sustainable and Inclusive Growth (FSIG-1) Development Policy Credit (DPC) in early 2014, Pakistan faced a serious macroeconomic crisis. There were several contributing factors, including the floods of 2010–11, continuing security problems, declining external financial flows, and the deterioration of fiscal performance preceding the national elections of May 2013. As a result, Pakistan faced two critical economic challenges: The fiscal deficit reached 8.3 percent of gross domestic product (GDP) in fiscal years (FY)12–13, and international reserves dropped to \$6 billion, barely enough for 1.5 months of imports. Business climate rankings had also worsened. Elevated macroeconomic instability, aggravated by the unfriendly investment climate, brought about a higher country risk rating and a drying up of external financing. Real economic growth has remained below the potential, averaging 3 percent over 2009–13. According to the Country Economic Memorandum prepared by the World Bank in 2013, the long-term economic performance was affected by a number of serious government failures, which included ineffective taxation, a large antiexport policy bias, cumbersome business regulations, and a poorly functioning civil service (World Bank 2013d).

1.2 As soon as it took office in June 2013, the new government of Pakistan began to articulate an ambitious emergency response program to prevent a balance of payments crisis, correct fiscal imbalances, and put the economy on the road to stabilization and recovery. The medium-term macroeconomic framework, adopted by the government in close consultation with the International Monetary Fund (IMF), aimed at gradual growth recovery and lower inflation, supported by aggressive fiscal consolidation and rebuilding of the external position. The government's medium-term strategy also called for initiating major growth-oriented structural reforms, needed for a more efficient economy.

1.3 From the outset, the international community provided considerable and well-coordinated support to the reform effort of the government. Leading development partners (the UK Department for International Development [DFID], the United States Agency for International Development, the IMF, the International Bank for Reconstruction and Development, and the Asian Development Bank) held a special meeting in London in the summer of 2013 to agree on a common strategy for assisting the new Pakistani administration with balance of payments, budget, and technical assistance support. The quick conclusion of an Extended Fund Facility (EFF) agreement with the IMF in September 2013, and the associated plan for substantial macroeconomic

adjustment, paved the way for the accelerated preparation of the World Bank's development policy financing (DPF) program, which included two parallel DPC series, each comprising two operations.

1.4 The FSIG series was the World Bank's first policy-based operation in Pakistan in more than a decade. Several earlier attempts by the World Bank to support policy reforms, including in taxation, through DPF had failed. They were undermined by a lack of political will, strong vested interests, and gaps in the government's institutional capacity. Thus, the preparation of the FSIG program was hampered by lack of an established track record with policy-based lending to Pakistan, which was reflected in the new program's high perceived risks. Downside risks to the country's macroeconomic outlook were also assessed as high.

Project Design

1.5 The project development objective was "to (a) foster private and financial sector development to bolster economic growth, and (b) mobilize revenue while expanding fiscal space to priority social needs" (World Bank 2018b, 2).¹

1.6 **The FSIG DPC series included two operations** that were negotiated, approved, and disbursed in 2014–15 for a total of about \$900 million. The program was financed by International Development Association credits (special drawing rights) of 258.5 million (\$402.4 million equivalent) for FSIG-1 and 355.6 million (\$500.1 million equivalent) for FSIG-2. Both credits were fully disbursed, each in a single tranche. There were no contributions by the borrower. The program was closed in June 2016.

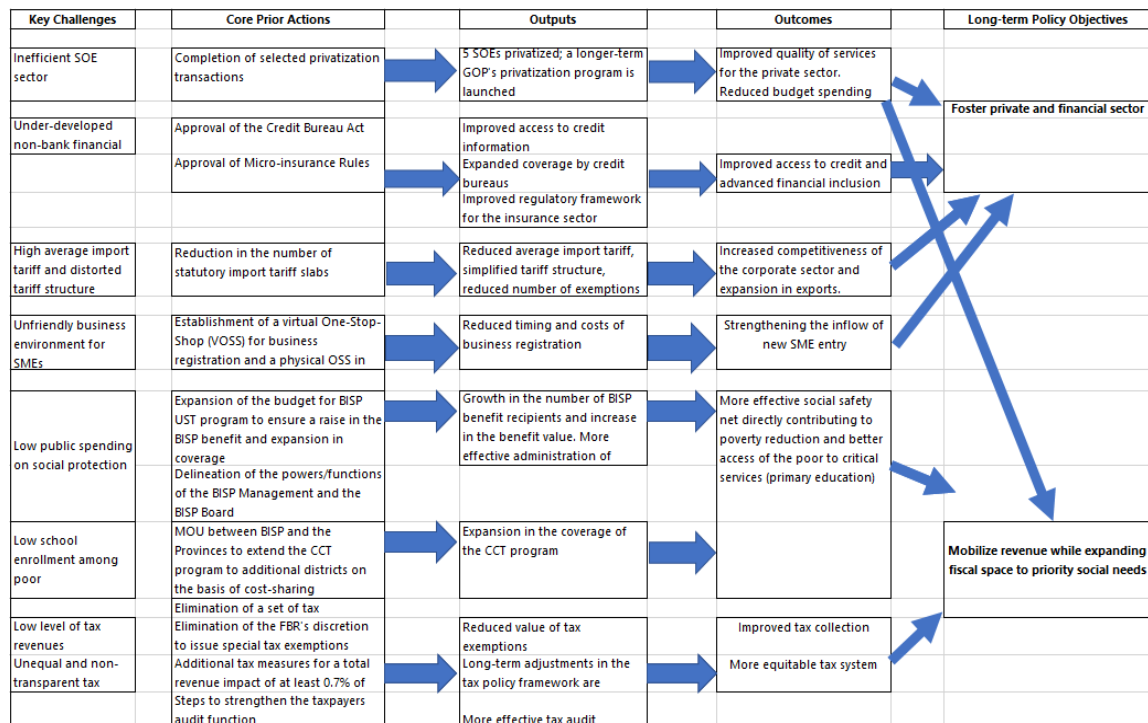
1.7 The reform program supported by the DPC series had two main policy areas:

- Fostering private and financial sector development, aimed at reforming trade tariffs to improve competitiveness and innovation, launching phased privatization of state-owned enterprises (SOEs), creating a one-stop shop for business registration, developing the microinsurance sector to provide affordable financial products for low-income households, and improving the availability of credit information to strengthen the financial system and support financial inclusion.
- Expanding revenue mobilization and social protection, aimed at improving revenue performance to advance fiscal consolidation and build the fiscal space to support social spending, while enhancing the social safety net program known as the Benazir Income Support Programme (BISP) and introducing conditional cash transfers (CCTs) in primary education.

These two policy areas exactly matched the two objectives of the program.

1.8 The causal chain between the policy measures supported by the program and the expected results was robust and convincing (figure 1.1). First, streamlining business registration, advancing privatization, liberalizing the trade regime, and enhancing regulations for credit bureaus and microinsurance should foster the development of the private and financial sector. Second, adopting tax policy adjustments—including the removal of major tax exemptions—and taking steps to strengthen tax enforcement should improve revenue mobilization. Third, expanding budget allocations for major social transfer programs and raising the value of individual benefits should enhance the system of social protection of the poor. However, the supported measures in budget transparency, although important on their own, were not directly related to the project development objective.

Figure 1.1. Pakistan Fiscally Sustainable and Inclusive Growth Series Results Chain



Source: Independent Evaluation Group.

Note: BISP = Benazir Income Support Programme; CCT = conditional cash transfer; FBR = Federal Bureau of Revenue; GOP = government of Pakistan; MOU = memorandum of understanding; SME = small and medium enterprise; SOE = state-owned enterprise.

1.9 The FSIG policy program and development objectives were closely linked to several pillars of the government of Pakistan's reform program, including (i) privatizing SOEs, (ii) improving the investment climate, (iii) mobilizing additional revenue, and (iv) protecting priority social expenditures.

1.10 The FSIG design emphasized the gradual acceleration of the reform pace, with more ambitious reforms delayed until FSIG-2 and a follow-up DPC (Competitiveness and Growth). This approach was justified at the appraisal by the need to rebuild trust with the authorities through joint support for less sensitive and ambitious reforms. The FSIG DPC series was designed and brought to the Board of Executive Directors under the accelerated schedule, and its preparation took less than a year. The macroeconomic situation was assessed as broadly satisfactory at the time of preparation and approval of both FSIG-1 and FSIG-2.

1.11 The FSIG design was part of the broader World Bank strategy to support macroeconomic stabilization in Pakistan, which provided for the parallel delivery in 2014–15 of two DPC series: FSIG and Power Sector Reform. The shared objective of these two programs was the creation of fiscal space through raising additional revenue (FSIG), cuts in budget subsidies related to chronic losses in the power sector, and a partial use of this additional fiscal space for expanding the country’s safety net. The decision to split the World Bank’s budget support between two parallel programs was appropriate given the sensitivity and risks associated with major policy reforms in tax and power tariff policies. This was a good risk mitigation strategy. In addition, the FSIG prior actions met the criticality and additionality requirements that are important features of development policy loan design (World Bank 2018a, 51).

1.12 At the same time, the program design showed significant shortcomings.² One of the most important weaknesses stemmed from deficiencies in the program results framework, which did not allow for adequately monitoring progress in a broad policy support operation. The FSIG program had seven policy areas and 19 prior actions (several requiring multiple policy decisions), but only six results indicators, unevenly distributed across the policy areas. Although the program scope was largely in line with the established World Bank practice for multisector DPCs, its results framework had too few meaningful indicators. This results framework was one reason the World Bank could not track the results of some important prior actions and had insufficient incentives to push hard toward their adequate implementation (for example, in budget transparency). Furthermore, the monitoring and evaluation design missed the opportunity to monitor the gender dimension of supported reforms, especially in social protection (the impact of CCTs on school enrollment by gender) and business registration (the impact of new registration procedures on expanding opportunities for women entrepreneurs).

1.13 Because of the compressed preparation schedule, the World Bank often emphasized “low-hanging fruit” in selecting reform actions to be included in the FSIG-supported program. This resulted in a quite heterogeneous policy program, with some prior actions not critical to achieving its objectives and making little traction (for

example, in budget transparency). Lack of ambition in the program design, especially under the first project objective (fostering the private sector), was justified in the program documents by an insufficient track record and the need to test the strength of the government's ownership of reform and assess what could be achieved in the field. This might explain why several FSIG-supported policy reforms had no specific targets (business registration) or why these targets lacked ambition (privatization).

Coordination and Related Projects

1.14 Preparation of the FSIG series was closely coordinated with the key development partners. The program was part of the World Bank commitments to support the new government, made at the 2013 donor meeting in London. The program was closely aligned with the IMF-supported EFF arrangement and was also supported by DFID and the Asian Development Bank.³

1.15 The EFF program provided a medium-term framework for macroeconomic adjustment. The EFF arrangement (36 months, \$6.7 billion) was approved on September 4, 2013, and its 12th and final review was completed in October 2016. EFF-supported structural benchmarks emphasized financial sector reform, tax administration, privatization, and energy sector reform. The program helped Pakistan restore macroeconomic stability and reduce short-term vulnerabilities (IMF 2016). Since the program's inception, inflation has declined, the monetary policy framework has been strengthened, and some progress has been made in bolstering the autonomy of the State Bank of Pakistan. The stability and resilience of the financial sector have been reinforced. The implementation of growth-supporting structural reforms has advanced, albeit with some delays.

1.16 DFID, under its Stability and Growth program (2014–19), provided the government with £300 million in budget support (disbursed in three tranches in 2014–16) and £40 million in technical assistance. The provision of grants for budget support was linked to overall progress with the implementation of the IMF and World Bank programs but also required the achievement of specific targets in tax and social protection. The World Bank and DFID established the multidonor Trust Fund for Accelerating Growth and Reforms (TAGR), funded by DFID, to provide technical assistance in implementing the reforms supported under the World Bank's DPC programs. TAGR funded technical assistance in four policy areas—taxation, energy, debt management, and privatization and SOE reforms—at the federal and provincial levels. The execution of TAGR was split between the government and the World Bank. In addition, DFID supported the implementation of the DPC-supported reforms through another trust fund focusing on business registration and access to financial services.

1.17 The World Bank approved two additional self-standing policy support credits to Pakistan in 2016–17, which further advanced the reforms agenda initially backed by the FSIG DPC series. The first of these subsequent DPCs (Competitiveness and Growth, \$500 million) supported a reform program that was structurally similar to the one under the FSIG, emphasizing tax reform, social protection, investment climate, and access to finance. It was accompanied by a policy-based guarantee of up to \$420 million, which helped the government improve the terms of its commercial borrowing. The second DPC (Finance for Growth, \$302 million) had a narrower focus on supporting financial sector reforms.

1.18 Since the closure of the FSIG series, the World Bank Board has also approved two investment projects to consolidate progress under the two major reforms supported by this DPF program. The objective of the National Social Protection Project (2017, \$100 million) is to strengthen the national social safety net systems for the poor and enhance their human capital and access to complementary services. It aims to boost the effectiveness of social protection instruments through strengthened administration and the expanded scope of the government’s income support program. The Pakistan Raises Revenue Project (2019, \$400 million) seeks to contribute to a sustainable increase in domestic revenue by broadening the tax base and facilitating compliance. It supports implementation of the comprehensive program to accelerate modernization of tax and customs administration in Pakistan. Both projects used the Program-for-Results instrument.

2. Results

2.1 The FSIG program made an important contribution to the macroeconomic resilience and gradual growth acceleration observed in Pakistan in 2014–16, which were supported through a coordinated international effort. The current account deficit was reduced;⁴ the fiscal deficit has been on average lower, reflecting improved government fiscal discipline; and social safety nets have been strengthened, supporting the poor. In parallel, energy subsidies were reduced and capital expenditure increased (table 2.1). This stability improved the policy environment for advancing the implementation of structural reforms aimed at unlocking sustained and inclusive growth in the medium term.

Table 2.1. Pakistan: Select Macroeconomic Indicators, FY13–14 to FY18–19

	FY13–14	FY14–15	FY15–16	FY16–17	FY17–18	FY18–19 est.
	Annual percentage change					
Real GDP at factor cost	4.1	4.1	4.5	5.2	5.5	3.3
	Percentage of GDP					
Revenue and grants	15.2	14.5	15.5	15.5	15.2	12.8
Tax revenues	10.5	11.0	12.6	12.4	12.9	11.6
Expenditure	20.1	19.8	19.9	21.3	21.6	21.6
Current	16.4	16.6	16.9	16.6	17.3	18.9
Fiscal balance (incl. grants)	-4.9	-5.3	-4.4	-5.8	-6.4	-8.8
Total government debt, incl. IMF	63.7	63.6	66.9	67.1	71.6	83.5
Budgetary subsidies	1.3	1.0	0.7	0.5	0.3	0.5
Credit rating (Moody's)		Caa1 (stable)	Caa1 (positive)		B3 (stable)	B3 (negative)

Source: IMF 2016, 2020.

Note: est. = estimated; FY = fiscal year; GDP = gross domestic product; IMF = International Monetary Fund; incl. = including.

2.2 However, this macroeconomic improvement was not sustained after the closure of the FSIG program and the end of the IMF EFF in 2016. Although the growth rate since 2017 was above average, the budget deficit remained high (over 6 percent of GDP). In 2017–18, Pakistan went through another internal political crisis, which affected its macro and reform performance. Procyclical fiscal policies led to a fiscal deficit surge in FY17–18 to 6.4 percent of GDP, 2.5 percent higher than budgeted. Although total budget spending on energy subsidies was sustained at a relatively low level of 0.5 percent of GDP in 2018 (compared with 1.3 percent of GDP in 2013), this was not considered sustainable because it hid the accumulation of new arrears in the sector. The comprehensive power tariff reform has not been implemented. Adoption of a new agreement with the IMF was delayed for more than two years, until summer 2019, when the government had completed a credible new effort to get the fiscal situation under control.

2.3 The FSIG program contributed to a significant improvement in Pakistan's revenue performance, but this gain was not sustained. The tax to GDP ratio increased by nearly 2.5 percentage points of GDP during 2013–17, exceeding the program target, owing to a significant reduction in tax concessions and exemptions, increased rates on withholding taxes (income taxes), and improvements in tax compliance and enforcement. Progress in tax policy and administration was made at both federal and provincial levels. But much more effort is needed to consolidate these positive trends and reduce sustainability risks. After reaching its peak of 12.9 percent of GDP in FY17–18, tax collection has deteriorated to about 11.6 percent in FY18–19 owing to a major

reemergence of tax expenditures. In FY19–20, Pakistan experienced another significant revenue shortfall. Critical reforms have stalled owing to opposition from privileged interest groups, as evidenced by the incomplete implementation of the general sales tax reform, preservation of tax exemptions for the agriculture sector, and ad hoc statutory regulatory orders (de facto tax exemptions; World Bank 2019a, 34). Pakistan’s tax revenue remains substantially below 15 percent of GDP, which is considered the minimum required by developing countries to fund basic government functions. A tax gap analysis recently completed by the World Bank indicates that the government so far has been capturing only half of the country’s revenue potential (World Bank 2019b). As well, the overall increase in the tax to GDP ratio achieved since 2013 was significantly skewed in favor of the increased collection of trade taxes, although direct taxes brought only an extra 0.3 percent of GDP, reflecting slow improvements in tax audits and taxpayer compliance (World Bank 2018b, 29).

2.4 Overall, progress made in taxation since 2014 could not be fully attributed to the FSIG series. The IMF’s EFF program had significantly more effective leverage during its implementation in 2014–16. The EFF had major targets on tax revenue collection (floor) and overall budget deficit (ceiling), which were monitored on a quarterly basis. In addition, the EFF had specific structural benchmarks and prior actions that overlapped with the FSIG-supported tax policy reforms. World Bank support for revenue management complemented that of the IMF. At the same time, World Bank assistance was adequately linked to the government of Pakistan’s tax reform strategy (adopted in February 2014) and focused on important priorities in taxation (in particular, reduction in tax exemptions and audit changes).

2.5 The FSIG series helped secure a significant expansion in budget allocations for major social transfer programs and facilitate institutional progress in transfer administration. The expansion of BISP unconditional cash transfers (UCTs), a major social benefit in Pakistan, has been steady and largely successful.⁵ The quantitative program target was mostly achieved: the number of UCT beneficiary households increased from 4.4 million in FY12–13 to 5.3 million in FY17–18, against the target of 5.5 million.⁶ Total spending on UCTs reached PRs 105 billion (approximately \$1 billion) in FY18–19, or 0.3 percent of GDP (against the pre-FSIG annual spending of PRs 65 billion in FY13–14). Budget releases for funding the UCT program are also more predictable. The UCT benefit amount was increased in steps from PRs 1,000 in early 2013 to PRs 1,566 in July 2015, mitigating cuts in the electricity subsidy and hikes in the general sales tax rate. Overall, progress in social protection has been quite robust, supported by the stability of key personnel in the BISP implementing agency and limited political opposition, including at the provincial level. The remaining concern is fiscal: If not complemented by stronger progress in revenue collection and a reduction in

power subsidies, further increased spending on social protection may become fiscally unsustainable.

2.6 The FSIG series also supported a major expansion in a complementary social assistance program: a CCT to facilitate children’s access to primary education in BISP UCT beneficiary households. The program, which started as a pilot in 2012 in five districts, provides a quarterly cash transfer for each eligible child. It is the only effective CCT program in Pakistan. Supported by the FSIG program, its coverage increased to 32 districts in FY14–15 and 50 districts (located in all Pakistani provinces) in FY17–18; the latest program target was 100 districts (out of 145 districts in the country) by March 2020. The CCT budget expanded about tenfold over 2014–19. An impact assessment of the CCT by Oxford Policy Management found that the CCT program had a positive and significant effect on the primary school enrollment of children, both boys and girls, ages 5–12 (Cheema et al. 2016).

2.7 Business registration procedures have significantly improved, as reflected in *Doing Business* indicators, which at least partially could be attributed to the FSIG-supported establishment of a virtual one-stop shop. The intensity of business registrations increased about threefold, from 4,587 in FY13–14 to 14,461 in FY18–19. Almost all new registrations were made through the virtual one-stop shop: More than 26,000 businesses registered there between its March 2018 launch and late 2019. Pakistan’s overall progress in streamlining business registration was reflected in a significant improvement in the *Doing Business* starting a business indicator, from 75.4 (out of 100) in *Doing Business 2013* and 75.8 in *Doing Business 2017* to 89.2 in *Doing Business 2020* (World Bank 2013a, 2017a, 2020). There have been considerable reductions in the number of registration procedures, their cost, and the time they require. Moreover, most of the improvements occurred in the last years of the period, and it is plausible to link them to the virtual one-stop shop. Despite initial delays in the virtual one-stop shop’s implementation, the government’s ownership of this part of the policy agenda is well rooted.

2.8 Strengthening the legal and regulatory framework for credit bureaus has been quite successful and contributed to broader improvements in small and medium enterprises’ access to credit. The new Credit Bureaus Act expanded consumers’ access to their credit information, in line with international good practices. Coverage of credit bureaus has expanded from 2.1 percent of the adult population in *Doing Business 2014* to 6.7 percent in *Doing Business 2020* (World Bank 2013b, 2020). However, this success could not be fully attributed to the FSIG program: The remaining regulatory obstacles in this area were removed only in December 2017, after the FSIG closure, as part of the follow-up World Bank DPC.

2.9 It is also plausible that the approval of the microinsurance rules in 2014 (prior action under FSIG-1) had a favorable impact on recent developments in Pakistan's insurance sector. In 2015–17 the country's insurance sector showed rapid expansion, about 13 percent per year, albeit from a low base. Market analysts have linked this growth acceleration to the previous government's effort to upgrade the sector's regulatory framework (not just to the adoption of the 2014 rules), which facilitated various product and operational innovations. The extent of the FSIG series' contribution to this positive change remains unclear, in part because the series' results framework contained no indicator or target to measure the impact of the new microinsurance rules.

2.10 Although the FSIG DPC formally met its specific privatization target, the series did not succeed in helping the government launch a sustainable privatization program. Five privatization transactions were completed in 2014–15 in line with the program target. However, they included only one strategic SOE sale (divestiture of government control—88 percent stake—in the National Power Construction Corporation) and four equity sales of smaller noncontrolling government stakes in SOEs. In the latter case, there is no evidence that corporate control in these companies shifted to private sector operators. Therefore, such small stake sales made little difference in companies' performance. Moreover, because of political concerns, after the FSIG program had ended, all planned privatization transactions were put on hold, and none were completed after 2015. This included stalled privatization of power distribution and generation companies, which has been a major priority in the World Bank's assistance program. Although the government has announced plans to resume privatization in 2020, the environment for privatization in Pakistan remains unfavorable: It is politically unpopular and has been opposed by powerful vested interests.

2.11 In trade policy, the FSIG-supported actions to advance trade liberalization and simplify the import tariff structure did not bring tangible results. The scale of reduction in the average import tariff was below the target, and the tariff structure remains nontransparent and distortive. The simple average statutory import tariff rate was reduced to 13.4 percent in 2016. It further declined to 12.8 percent in 2019 (from the baseline of 14.4 percent in June 2013), still missing the revised program target of 12 percent.⁷ Moreover, Pakistan's weighted average tariff has largely remained stagnant over the last decade, at about 10 percent. The tariff structure was not streamlined: Variation in the regular tariff increased, the number of tariff slabs remained the same, and the number of tariff lines affected by additional regulatory duties expanded. There is no evidence that the government has continued with the implementation of its medium-term tariff rationalization plan after the disbursement of FSIG-2.

2.12 The implementation of policy reforms supported by the FSIG series and related technical assistance made a significant contribution to the government of Pakistan's

institutional strengthening and capacity building. Such institutional impact was identified at two levels. First, the program, being the first of this kind in Pakistan in more than a decade, raised the overall government capacity to coordinate the design and implementation of a series of priority reforms across several sectors. Second, the program helped strengthen institutional arrangements for executing some key government functions, including tax administration, social benefit administration, and business registration. For instance, in tax administration, technical assistance facilitated capacity building of the Federal Bureau of Revenue in tax audit, tax litigation, human resource management, information and communication technology development, and so on.

3. What Worked and Why?

3.1 The FSIG series and the parallel Power Sector Reform DPC series brought a major DPF program of the World Bank in Pakistan to a relatively successful close. This happened for the first time in over a decade and helped raise trust in this lending instrument while opening new opportunities for the government of Pakistan–World Bank partnership. The FSIG series paved the way for two subsequent DPCs in 2016 and 2017, one of which was augmented by a policy-based guarantee. The drivers of this success included close cooperation with key development partners, flexibility in the selection of supported policy reforms, and proper timing of the program within Pakistan’s political calendar. But this flexibility also brought some costs, as discussed in the Project Design section in chapter 1.

3.2 The reform program supported by the FSIG series built the foundation for subsequent reforms in several areas, which have received additional assistance from the World Bank under more recent operations, both DPF and investment project financing. The FSIG series contributed to the longer-term reform effort in Pakistan largely through its support for the development of several medium-term sectoral government strategies in 2014–16 (such as the tax reform strategy adopted in February 2014), which served later as a policy foundation for subsequent project support from the World Bank and other development partners.

3.3 Splitting the reform program into two parallel DPC series (FSIG and Power Sector Reform) helped mitigate the policy and implementation risks of major reforms, ensure a more focused design of the respective sector programs, and strengthen accountability of core government counterparts. When the government was facing multiple reform challenges, separating an important sectoral issue, such as managing the energy sector, into a self-standing program proved to be an effective design and risk management solution. The decision to split the DPF program was informed by the

lessons from the earlier World Bank operations in the energy sector and by realistic assessment of the existing institutional bottlenecks within the government, which would have elevated the implementation risks of a single broad program covering reforms in energy, taxes, trade, and other sensitive areas simultaneously.

3.4 The FSIG series' assistance to strengthen Pakistan's safety net by expanding the coverage of the main social benefit, BISP UCTs, and enhancing both governance arrangements and financial management of benefit administration generated significant poverty and gender impacts. The expansion of the BISP budget directly contributed to poverty reduction and to Pakistani women's human capital development.⁸ The factors contributing to this success included close monitoring by the World Bank and its development partners of the implementation of the agreed schedule to ensure timely disbursements of budget allocations to the BISP, the government's ability to engage effectively with the provinces on their participation in the BISP expansion, the availability of highly professional technical staff in the BISP with long tenure at the agency, and access to learning from similar policy reforms in other client countries of the World Bank. Also, the reforms in social protection under the FSIG series dealt with the expansion of the preexisting, efficiently managed, and well-targeted social assistance program, and thus they were institutionally less challenging than the introduction of new reforms from scratch in other FSIG series areas (such as privatization).

3.5 Close integration of DPF instruments with a well-funded, well-coordinated, and flexible technical assistance program was critical for advancing FSIG-supported reforms, especially those dependent on strengthening government capacity (tax and social benefit administration). FSIG-linked technical assistance projects also contributed to identifying reform priorities, setting up specific targets, monitoring the pace of implementation, and closing knowledge gaps that were important for designing subsequent operations. Available technical assistance was comprehensive, covering all policy areas, and delivered through multiple channels, including the ongoing investment projects of the World Bank, World Bank- and government of Pakistan-executed trust funds, and projects of other development partners, including the IMF, DFID, and the US Agency for International Development. The role of the DFID-funded TAGR (£40 million), which financed technical assistance in several areas of focus under the FSIG series, was of particular value owing to its flexible design, which made it very responsive to the needs of both the implementing agencies and the World Bank team. This offered the FSIG team additional opportunities to address emerging bottlenecks during implementation and monitoring. The beneficial impact of technical assistance delivered under the FSIG program was consistent with one of the findings of a 2018 Independent Evaluation Group evaluation: Timely technical assistance is associated with success when it fills

capacity gaps that affect the implementation of DPF-supported reforms (World Bank 2018a).

3.6 Close coordination and alignment with the IMF's EFF program provided considerable reform synergy, especially in tax policy and administration and in trade policy and financial sector reform. The EFF was implemented in 2014–16, in parallel with the FSIG program, and provided additional leverage through setting up demanding structural benchmarks and indicative targets and monitoring them quarterly. The downside of this synergy relates to excessive dependence on the IMF: After the closure of the EFF in 2016, the reform momentum greatly diminished and the World Bank on its own did not have leverage to restart meaningful reforms in the most sensitive policy areas (taxation, trade, privatization). The reform emphasis had to be refocused on the financial sector, where on the client side the reform process was led somewhat independently by the State Bank of Pakistan.

4. What Didn't Work and Why?

4.1 The FSIG DPC series did not improve the sustainability of Pakistan's structural reform process and reduce longer-term macroeconomic risks. The country remains affected by the entrenched stop-and-go reform and macroeconomic cycle, reflected in frequent fiscal and balance of payment crises and regular international rescue packages. Revenue improvements and related reduction in budget deficit, which were supported by the World Bank and its development partners in FY14–16, were not sustained beyond FY17–18, and the new EFF program was agreed in 2019 to address newly emerged macroeconomic imbalances. The specific trigger for a loss of reform momentum in this case was the internal political crisis in Pakistan that resulted in the disqualification of the prime minister by a Supreme Court decision in July 2017. The political tensions associated with this event had affected economic policy making and undermined the government's capacity to deliver on its reform commitments. A weakened government relaxed fiscal discipline and was not proactive in addressing a misaligned exchange rate. These events were exacerbated by the end of the IMF EFF program, which until that moment had served as an effective disciplining instrument.

4.2 The implementation of the DPC series did not launch sustainable multiyear reform programs in two areas critical for the longer-term competitiveness prospects of Pakistan's economy: privatization and trade regime (level and structure of the import tariff). In broader terms, the contribution of the program to the growth-enhancing reforms under project development objective 1 was more modest than to the stabilization agenda under project development objective 2. In early 2016, after labor tensions and political opposition, the authorities revisited their privatization strategy,

and no privatization transactions were completed after the FSIG program closure. In trade, the government's three-year tariff rationalization plan was abandoned after the first year. The follow-up DPCs contained no prior actions in these policy areas, reflecting lack of reform ownership within the government. The primary cause of this failure was linked to the power of vested interests and the absence of high-level reform champions in the government to build and lead proreform coalitions. The World Bank did not invest enough resources during the preparation to better understand the political economy of these reforms and suggest more effective strategies to mitigate political risks. Although considerable technical assistance funding was spent on the preparation of specific privatization transactions, there is no evidence that the World Bank tried to use some of these funds to help the government enhance its communication strategy to better inform key stakeholders about the needs and benefits of the SOE privatization. Meanwhile, a key constraint to privatization was political rather than technical. Moreover, at the preparation stage, the World Bank overestimated the Privatization Commission's ability to implement the program. The commission was unable to effectively absorb and benefit from the provided technical assistance. A specific shortcoming in the program design also played a role: Import tariff reforms were included in the program only under FSIG-2, greatly reducing the World Bank's leverage on the pace and depth of the implementation of this reform.

4.3 The FSIG policy reform package did not provide a framework to build effective engagement with Pakistan's provincial governments. Experience from earlier operations suggests that structural reforms at the federal level in Pakistan must be complemented by a relevant provincial effort to sustain these reforms and maximize their impact. A coordinated countrywide approach to reform design and implementation is especially important for a country such as Pakistan with government structures heavily concentrated at the provincial level. The two largest provinces (Punjab and Sindh) dominate political and economic life; their combined share of population reaches 75 percent of the country's total, and they collect about 85 percent of total taxes (out of six federal units). Improvements in the business environment and modernization of tax administration are examples of reforms that require significant intergovernmental cooperation in Pakistan (World Bank 2017c, 9). Although under the FSIG program the government made some important steps to engage with provincial governments (in tax policy and CCT administration), much more cooperation is needed, including in tax enforcement (direct taxation), tax administration (property valuation), and broad-based business deregulation.

4.4 The weaknesses in the program's results framework and metrics undermined effective monitoring of several important FSIG-supported reforms and limited the understanding of the impact of some prior actions. These prior actions include

strengthening the effectiveness and coverage of tax audits and adopting new regulations in the insurance sector. In budget transparency, there were three specific prior actions under FSIG-2 aimed at enhancing budget disclosure, but not a single monitoring indicator, and there is no evidence that the World Bank proactively tried to monitor the implementation of these prior actions after the FSIG-2 disbursement. None of these policy measures have been mainstreamed and become part of the regular budgeting and disclosure practices in Pakistan. Instead, they remain one-time-only government decisions, not backed up by adequate implementation incentives.

4.5 Independent Evaluation Group project ratings are explained in appendix A. The evaluation methodology and evidence sources are described in appendix D.

5. Lessons

- **In Pakistan, the World Bank reengagement with development policy lending after a long break benefited from a longer-term strategy (or program) that provides for several interrelated DPCs, a large and relevant technical assistance program, and close cooperation with the IMF.** Progress made under the FSIG program in such a sensitive and capacity-demanding area as public revenue management was much more significant when compared with the World Bank's previous intervention, which was centered on self-standing investment lending. The development impact of the DPCs would have been much weaker without a long-term adaptable technical assistance package provided by DFID, and technical assistance alone would have scarcely made a dent in tax policy reform in Pakistan. Cooperation with the IMF's EFF program was a critical precondition of success in raising tax collection.
- **Dividing important sectoral issues among separate operations could be an effective strategy when the government is facing multiple reform challenges.** In Pakistan, splitting the DPC program into two parallel DPC series helped mitigate the risks, including those related to political economy and implementation constraints; ensure more focused design of the individual series; and strengthen accountability of core government counterparts.
- **Political economy analysis and communication support related to politically sensitive reforms were insufficient.** The privatization effort under the FSIG program was affected by an overly technical approach to the implementation of the agreed transactions, which did not consider many sensitive aspects of this process (unions, unemployment, and so on). The World Bank did not fully appreciate the influence of the stakeholders who opposed privatization and did not offer any significant communication support to the government of Pakistan

to clarify the privatization process for stakeholders and explain its potential benefits.

¹ Appendix A discusses some minor evolution of the project development objective during the program.

² Discussed in detail in appendix A.

³ The Asian Development Bank's policy-based credit support was focused on energy sector reforms and consisted of three subprograms disbursed over 2014–17 in the total amount of \$1.1 billion.

⁴ A reduction in the current account deficit was also due to lower global commodity prices and buoyant remittances.

⁵ The Benazir Income Support Programme is the flagship national social safety net program, launched in 2008 with initial coverage of 1.76 million families. Benefits are paid to the female representatives of eligible families. The program targets poor beneficiaries and uses the proxy means test method. As a result, about 75 percent of the cash benefits accrue to the bottom two quintiles (World Bank 2015).

⁶ The modest shortfall in the number of beneficiaries shows that not all the 5.7 million identified beneficiaries have registered to receive the benefit. This is at least partially explained by displacement related to natural disasters and conflict.

⁷ The original target was to reduce the simple average tariff to 10 percent or below.

⁸ The World Bank estimates that poverty, using the \$1.9 poverty line based on purchasing power parity, declined from 6.1 percent in 2013 to 5.4 percent in 2016. Moreover, a significant share of the Benazir Income Support Programme cash transfers are given to women who are heads of household (World Bank 2017b, 27).

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Appendix A. Project Ratings

Table A.1. Project Ratings

Ratings	ICR	ICR Review	PPAR
Outcome	Moderately satisfactory	Moderately satisfactory	Moderately satisfactory
Risk to development outcome	Substantial	Substantial	High
Bank performance	Moderately satisfactory	Moderately satisfactory	Moderately satisfactory
Borrower performance	Moderately satisfactory	Moderately satisfactory	Moderately unsatisfactory
Quality of M&E	n.a.	Modest	Modest

Note: The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Global Practice. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR. M&E = monitoring and evaluation; n.a. = not applicable; PPAR = Project Performance Assessment Report.

Relevance of Objectives

The project development objective for the development policy credit (DPC) series was “to (a) foster private and financial sector development to bolster economic growth, and (b) mobilize revenue while expanding fiscal space to priority social needs” (World Bank 2018b, 2).¹ The objectives were highly relevant to Pakistan’s challenges. After several internal and external shocks in 2010–13, Pakistan faced a critical increase in twin deficits that aggravated key macroeconomic risks and further undermined the country’s growth prospects. The DPC series aimed to support the ongoing fiscal consolidation efforts to reduce the fiscal deficit and stabilize the debt to gross domestic product (GDP) ratio. It also intended to foster economic growth by advancing key structural reforms and boosting government spending on top priority social protection programs. These objectives were directly linked to several pillars of the government of Pakistan’s development program, Vision 2025, including (i) advancing fiscal consolidation and improving revenue performance, (ii) improving the investment climate, (iii) progressing with the privatization of state-owned enterprises, (iv) reforming the trade regime, and (v) protecting priority social expenditures.

The series’ objectives were also aligned with the strategic focus of the World Bank Group’s Country Partnership Strategy for fiscal years (FY)15–19, which was based on four main pillars. In particular, the Fiscally Sustainable and Inclusive Growth (FSIG) series made a significant contribution to the pillars “supporting private sector development” and “reaching out to the underserved, neglected, and poor” (World Bank 2017b, 30).

The relevance of objectives is rated **high**.

Relevance of Design

The project development objective was clearly stated. The causal chain between policy measures supported by the program and expected results was robust and convincing. First, streamlining business registration, advancing privatization, liberalizing the trade regime, and enhancing regulations for credit bureaus and microinsurance should foster the development of the private and financial sectors. Second, adopting tax policy adjustments, including the removal of major tax exemptions, and strengthening taxation enforcement should improve revenue mobilization. Third, expanding budget allocations for major social transfer programs and raising the value of individual benefits should enhance social protection of the poor. However, the supported measures in budget transparency, although important on their own, were not directly related to the project development objective.

The program had two complementary objectives that emphasized the country's need for fiscal stabilization and growth acceleration. At the same time, the program design gave more prominence to stabilization, commonly seen as a precondition for growth recovery. Moreover, the FSIG design was part of the broader World Bank strategy to support macroeconomic stabilization in Pakistan, which provided for the parallel delivery in 2014–15 of two DPC series, FSIG and Power Sector Reform (P128258 and P152021). The latter series focused on energy sector reforms. The shared objective of these two programs was the creation of fiscal space through raising additional revenue (FSIG), cutting budget subsidies related to chronic losses in the power sector, and using part of this additional fiscal space to expand the country's safety net. The decision to split the World Bank's budget support between two parallel programs was fully appropriate given the sensitivity and risks associated with major policy reforms in tax and energy tariff policies.² This was a good risk mitigation strategy intended to increase the likelihood that at least one of these DPC series would be completed. Both DPC series were quite successful and received **moderately satisfactory** ratings from the Independent Evaluation Group (Implementation Completion and Results Report Review stage). In this light, the exclusive focus of the FSIG DPC's stabilization leg on the revenue side of the budget made sense because the major expenditure issue was addressed by the Power Sector Reform DPC.

Another key feature of the FSIG series design was its emphasis on gradual acceleration of the reform pace, with more ambitious reforms delayed until FSIG-2 and the follow-up DPC (Competitiveness and Growth, 2016). This was justified at the appraisal by the need to rebuild trust with the authorities through joint support for less sensitive and ambitious reforms. Such a gradualist reform strategy was only partially successful. It helped the World Bank design and implement a highly ambitious multiyear assistance program in both tax and social protection areas. But it failed in trade liberalization: The

decision to postpone the launch of import tariff reforms to FSIG-2 did not give the World Bank enough leverage when the government of Pakistan lost interest in the tariff reform plan after the credit was fully disbursed.

The macroeconomic situation in 2014–15 broadly supported FSIG DPC implementation, boosted by a parallel Extended Fund Facility (EFF) program by the International Monetary Fund (IMF). Enhanced economic management, steady remittances, and foreign capital inflows contributed to this. Market perceptions of the country's prospects have improved: Standard and Poor's raised Pakistan's rating to B in October 2016,³ and Moody's made a similar upgrade, to B3, in 2015. Most key macro indicators improved during implementation relative to the baseline of FY12–13 (table A.2). These indicators include upward momentum in growth dynamics, a decline in debt to GDP ratio and budget deficit, a slowdown in headline inflation, and growth in foreign exchange reserves.

At the same time, the program design showed significant shortcomings. The program results framework was weak and did not allow for adequate monitoring of progress under such a broad reform program. The program had seven policy areas and 19 prior actions (several requiring multiple policy decisions), but only six monitoring indicators, unevenly distributed across the policy areas (more detailed analysis of the results framework is in the Monitoring and Evaluation section later in this appendix).

Import tariff reforms were included in the program only under FSIG-2, reducing the World Bank's leverage on the pace and depth of the implementation. If both DPCs had included prior actions aimed at trade liberalization, a more advanced implementation of the government's tariff rationalization plan may have been more likely.

Other design shortcomings included the following:

- The language used by the World Bank in spelling out the prior actions was not precise, which generated considerable misunderstanding and miscommunication between the World Bank and authorities on what exactly was needed to meet the prior actions. The Implementation Completion and Results Report (ICR) lists three such cases (in privatization, tax policy, and budget transparency) and discusses additional challenges this misunderstanding created to orderly and timely implementation of the program (World Bank 2017c, 22).
- The design did not include a political economy analysis, which could have allowed for more effective mitigation of political opposition to reforms. The power of vested interests and popular resentment were major obstacles to a more successful implementation, in particular in trade, tax audit, privatization, and credit bureau regulation. In particular, on privatization the World Bank did not

suggest improving the government’s communication about the potential benefits of selling state-owned enterprises.

- The design was not based on a comprehensive justification of selected prior actions. For instance, it was unclear how the specific prior actions in the areas of investment climate and access to credit were selected. Furthermore, the ICR suggests that the inclusion of regulatory reforms of credit bureaus was motivated primarily by their readiness for the implementation, and less by their potential impact (World Bank 2017c, 24).
- The design did not fully reflect the existing capacity constraints in specific areas, which has become a major issue for implementation of the privatization program.
- The design was not sufficiently specific in the presentation of some of its targets. This was most visible in the set-up of the privatization objectives. The program did not define privatization, allowing for the sale of relatively small government equity stakes to be considered real privatization.

Table A.2. Pakistan: Key Macroeconomic Indicators at the Time of Preparation and Implementation of the FSIG Program, FY12–13 to FY15/16

Indicator	FY12–13	FY13–14	FY14–15	FY15/16
GDP growth (%)	3.7	4.1	4.0	4.7
Consumer price inflation	7.4	8.6	4.5	2.9
Current account balance (% GDP)	-2.5	-3.1	-2.6	-2.5
Gross official reserves, months of import	1.5	2.2	3.4	4.2
Overall fiscal balance, including grants (% GDP)	-8.4	-4.9	-5.2	-4.1

Source: IMF 2016.

Note: FSIG = Fiscally Sustainable and Inclusive Growth; FY = fiscal year; GDP = gross domestic product.

The relevance of design is rated **modest**.

Efficacy

The project development objective of FSIG-1 was “to (a) foster private and financial sector development to bolster economic growth, and (b) mobilize revenue while preserving the priority use of fiscal space” (World Bank 2018b, 2). The second DPC presented the same first objective and clarified the second: “to mobilize revenue while expanding fiscal space to priority social needs” (World Bank 2018b, 2). In line with the Implementation Completion and Results Report Review, this review uses the project development objective from FSIG-2 as a basis for evaluation.

Objective 1: Fostering Private and Financial Sector Development to Bolster Economic Growth—Achievement: Modest

Policy reforms supported under this objective were grouped into four areas: privatization, access to credit and financial inclusion, trade regime, and investment climate (business registration).

Privatization

The objective was to help the government of Pakistan launch its ambitious privatization program (about 60 state-owned enterprises; the strategy was adopted in October 2013). The program's prior actions supported the first round of privatization transactions included in the government program, and related technical assistance (largely funded by the UK Department for International Development [DFID]) was provided to the Privatization Commission to build its capacity for the preparation and implementation. Privatization was a critical element of the long-term Bank Group strategy in Pakistan because it was expected to increase the efficiency of privatized firms, generating benefits for competitiveness and fiscal performance.

The target of “at least five entities privatized through strategic or equity sale by June 2016” was formally achieved (World Bank 2014, iv). Five privatization transactions were completed in 2014–15. They included one strategic state-owned enterprise sale—divestiture of government control (88 percent stake) in the National Power Construction Corporation—and four equity sales of smaller noncontrolling government stakes in state-owned enterprises. However, the latter sales did not meet the conventional notion of privatization (transfer of control over a company from the government to the private sector) as there is no evidence that, after the transactions were completed, corporate control in these companies was shifted to private sector operators.⁴ The equity stakes that were sold were quite small, ranging from 5 to 42.5 percent: United Bank Limited—19.6 percent, Pakistan Petroleum Limited—5 percent, Allied Bank Limited—11.5 percent, and Habib Bank Limited—42.5 percent (World Bank 2017c). The World Bank did not try to focus the privatization effort on strategic sales, and the legal agreement for the program did not clearly define what types of divestiture would count as privatization. This limited the potential impact of the program, which ultimately made little difference in companies' performance.

Strategic privatization of another state-owned enterprise, Heavy Electrical Complex, which was one of the prior actions under FSIG-2, was not completed because the buyer's check was not honored. This failure was reported to the World Bank only after the Board of Executive Directors, on the basis of on incorrect information, had approved the credit and the funds had been released to the government. Initially, the authorities reported the fulfillment of this prior action according to their interpretation of the country's law

that the bidder's provision of the check represents a legal tender, and thus met the requirement of the credit's legal agreement. Despite serious concerns about the credibility of the bidder, the government did not warn the World Bank about the risk of the ongoing transaction. The ICR considered this situation to be simple miscommunication (World Bank 2017c, 23). The situation had to be addressed through the submission of a separate legal note to the Board.

Overall, the DPC series failed to help launch the longer-term privatization program. Because of political concerns, after the program ended all planned privatization transactions were put on hold, and none were completed after 2015. This included stalled privatization of power distribution and generation companies, a priority in the World Bank's assistance program. The government has announced its plans to resume privatization in 2020, but the environment remains un conducive to privatization: It is politically unpopular and is opposed by powerful vested interests. Moreover, the technical capacity of the Privatization Commission to prepare and support implementation of privatization transactions remains weak.

Access to Credit and Financial Inclusion

The program target (result indicator) in this area was to establish a legal and regulatory framework that would improve the quality and coverage of credit information available for consumers and small and medium enterprises. Such a framework was viewed as an important enabling condition for facilitating financial inclusion and consumer protection. Before the FSIG series, consumers did not have access to credit information. The national assembly enacted the Credit Bureaus Act in 2015 as one of the FSIG-2 prior actions, meeting the program target. The new law expanded consumers' access to their credit information in line with good international practices. Coverage by credit bureaus has expanded from 2.1 percent of the adult population in *Doing Business 2014* to 6.7 percent in *Doing Business 2020* (World Bank 2013b, 2020). As of September 2019, two private credit bureaus had obtained their licenses under the new legislation.

However, the regulatory progress in this area was affected by serious obstacles that delayed and diminished the impact of new legislation. After FSIG-2 was disbursed, the Credit Bureaus Act was amended by the senate and made incompatible with the original prior action (the senate inserted a requirement for the State Bank of Pakistan to review all credit reports, which would make the regulatory framework unworkable). To address this obstacle, a separate legislative amendment was introduced as a prior action of the follow-on World Bank operation, the Competitiveness and Growth DPC (2016), which brought the law into compliance with the original program intention. The new law was further delayed as the State Bank of Pakistan set the paid-in capital for future private credit bureaus at an excessively high level, limiting the private sector's response

to the new legislation. Only in December 2017 was the established level of required paid-in capital overturned by the High Court of Sindh province. This removed the main remaining obstacle for the establishment of private credit bureaus (World Bank 2018a). Thus, the observed positive (although modest) developments in the credit bureaus area could not be fully attributed to the FSIG series.

Another policy measure to advance financial inclusion and provide affordable financial products to low-income households was the approval by the Securities and Exchange Commission of Pakistan of the microinsurance rules of 2014 (prior action, FSIG-1). This prior action had no corresponding indicator or target to measure the impact of the new microinsurance rules. Also, its implementation was not discussed in the ICR. Still, in 2015–17, Pakistan’s insurance sector showed rapid expansion, about 13 percent per year, measured by the annual gross written premium of both life and nonlife insurers (Milliman 2017). Market analysts have linked this growth to the commission’s earlier efforts to upgrade the regulatory framework, which included a number of reforms (not just the 2014 rules supported under the FSIG program) that facilitated various product and operational innovations (Nisar 2018). The life insurance subsector has been especially dynamic. Thus, although there is sufficient evidence of successful development in the sector, it could not be fully attributed to the World Bank’s program. In addition, despite recent expansion, the insurance industry in Pakistan remains relatively small compared with its peers in the region. The insurance penetration rate is very modest at about 1 percent (compared with 4 percent in India and 75 percent in Malaysia).⁵

The government of Pakistan adopted a national financial inclusion strategy in January 2015. In September 2015, the government joined the Better Than Cash Alliance, the United Nations global partnership aiming to advance financial inclusion by facilitating the use of noncash financial instruments. This was another prior action of FSIG-2, introduced at the government’s suggestion. But there is no evidence so far that this membership had any effect on financial inclusion.

Pakistan has made considerable progress on the *Doing Business* getting credit indicator.⁶ Its overall score, measuring the distance from the best global regulatory practice, has improved from 25 (out of 100) in *Doing Business 2014* to 45 in *Doing Business 2020* (World Bank 2013b, 2020). This reflected various recent institutional reforms in the financial sector, including those that helped increase coverage by credit registries and credit bureaus.

Trade Regime

Pakistan’s trade regime has been known for its complexity, distortive influence on competition, and lack of transparency (WTO 2015). The average tariff has been high, with

significant variation, and its application further affected by numerous statutory regulatory orders (SROs) that granted specific customs duty exemptions and concessions. The SROs undermined economic efficiency by raising tariff escalation, increasing effective rates of protection, and distorting competition. For imports, the World Trade Organization estimated that more than 90 SROs were effective in 2015, covering some 4,000 products. The fiscal cost of exemptions and concessions as a result of import-related SROs was estimated at PRs 137 billion during FY13–14, or 0.54 percent of GDP.

In trade, the World Bank supported (a prior action under FSIG-2) the implementation of several actions aimed at streamlining Pakistan’s import tariff structure and reducing the average most-favored-nation tariff.⁷ In particular, parliament approved a 2014–15 budget law to reduce the number of standard (most-favored-nation) import tariff slabs (bands) to six (from seven in FY13–14). This was done by eliminating the 35 and 30 percent tariff slabs and reducing the customs duties for 341 tariff lines from 30 to 25 percent. In addition, in March 2015 the Ministry of Finance (MOF) approved a tariff rationalization plan to reduce the number of slabs to four in three years, keep all tariff lines within a range of 1–25 percent, and limit the overall number of exceptions and tariff peaks to protect only sensitive goods or special sectors. The 2014–15 budget law also provided for the elimination of the first set of SROs. Most other SROs were expected to be eliminated at the end of the three-year period.

The program target was to reduce the simple average statutory tariff rate to 12 percent or below by June 2015 (from the baseline of 14.4 percent in June 2013). This was the revised target adopted in the program document for FSIG-2. The original target was to reduce the simple average tariff to 10 percent or below. There was no separate indicator or target for the simplification of the tariff structure.

These program objectives were not achieved. The simple average statutory tariff rate was 13.4 percent in 2016. It declined to 12.8 percent in 2019, still missing the revised target of 12 percent. By comparison, South Asia’s simple average tariff in 2016 was 11.2 percent and the East Asia and Pacific average was 5.1 percent. Moreover, Pakistan’s weighted average tariff has largely remained stagnant over the last decade, at about 10 percent (World Bank 2018b).

The number of tariff slabs was not reduced and came back to seven in 2019. The tariff structure was not simplified. Variation in regular tariffs increased (measured by the coefficient of variation) from 82 percent in 2013 to 100 percent in 2019 (table A.3). Additional and regulatory duties remain common. The number of tariff lines affected by regulatory duties jumped from 134 to 1,166 between FY12–13 and FY16–17. Regulatory duties add about two percentage points to the regular customs tariff on average.

There is no evidence that the government of Pakistan has continued with the implementation of its medium-term tariff rationalization plan after the disbursement of FSIG-2. The imports that claimed exemptions from customs duties increased from 34 to 50 percent of total import values between FY12–13 and FY16–17. The total value of customs duty exemptions increased to PRs 257 billion (\$2.47 billion, or 0.88 percent of GDP).

Table A.3. Evolution of the Structure of Import Tariffs in Pakistan

Tariffs and Statistical Measures	Lines (no.)			
	FY10–11	FY13–14	FY14–15	FY18–19
Tariff percent				
0	423	440	0	1,638
1	0	0	440	0
3	0	0	0	1,126
5	2,323	2,359	2,323	0
10	871	954	995	0
11	0	0	0	1,101
15	470	487	501	0
16	0	0	0	523
20	874	890	877	2,417
25	1,093	1,113	1,454	0
30 (special auto sector)	76	368	27	33
35 (special auto sector)	555	267	267	275
50	13	13	15	41
55	6	6	8	16
60	9	9	15	23
65	13	13	15	0
75	4	4	4	12
90	16	16	16	17
100	13	13	15	31
Other				47
Total	6,759	6,952	6,972	7,253
Mean	14.7	14.5	14.3	12.77
Standard deviation	12.1	11.9	11.6	12.73
Coefficient of variation (%)	82.3	82.1	81.1	99.7
Minimum	0	0	1	0
Maximum	100	100	100	100
Tariff slabs	15	15	15	13
Standard tariff slabs	8	7	6	7

Source: World Bank 2015, annex 6; Federal Bureau of Revenue data; Independent Evaluation Group staff computations.

Note: Standard tariff slabs are defined as slabs with tariff rates that apply to 30 or more tariff lines and exclude special sectors.

FY = fiscal year.

Pakistan's inability to reform its trade policy over the years can be attributed to institutional fragmentation within the government. Key policy decisions linked to trade

are the domain of multiple government agencies, including the Ministry of Commerce, the Federal Board of Revenue and the MOF. Moreover, policy decisions regarding tariff levels and structure have been often driven by fiscal considerations (World Bank 2018b).

Investment Climate (Business Registration)

In October 2014, the government of Pakistan adopted an action plan for improving the business climate, which envisioned time-bound measures at the federal and provincial levels. The World Bank program supported the establishment of a virtual one-stop shop for business registration (FSIG-2 prior action) and a physical one-stop shop in Lahore. This was one of the priority actions under the government's plan, which also provided for streamlining start-up procedures for small and medium enterprises. The FSIG program's results framework did not have a specific indicator for monitoring the simplification of business registration.

Although both the one-stop shop and the virtual one-stop shop were legally established, neither was operational by the time of ICR preparation (2017). At that time, the government reported significant problems with the associated software, and as a result, few of the links at the virtual one-stop shop site worked. Meanwhile, the government was able to significantly shorten processing time on the sites of the individual government agencies responsible for business registration, which led to a substantial decline in the overall registration time.

By the time of the Project Performance Assessment Report (PPAR) mission (December 2019), the virtual one-stop shop was operational. The number of business registrations increased from 4,587 in FY13–14 to 14,461 in FY18–19. Almost all new registrations were made through the virtual one-stop shop: More than 26,000 businesses registered there between its launch in March 2018 and late 2019.

Overall, Pakistan has made substantial progress in business registration as reflected in the *Doing Business* starting a business indicator (table A.4). Pakistan's score improved from 75.4 (out of 100) in *Doing Business 2013* and 75.8 in *Doing Business 2017* to 89.2 in *Doing Business 2020* (World Bank 2013a, 2017a, 2020). There have been considerable reductions in the number, cost, and time required for registration procedures. Moreover, most of the improvements were made in the last years of the period, and it is plausible to attribute them to the new registration windows, especially the virtual one-stop shop.

Table A.4. Pakistan’s Progress in Business Registration

	Starting a Business (score)	Procedures (no.)	Time (days)	Cost (percent of income per capita)
<i>DB2013</i>	75.4	13	20	16.6
<i>DB2014</i>	75.4	13	20	16.3
<i>DB2015</i>	75.6	13	20	14.9
<i>DB2016</i>	75.7	13	20	14.3
<i>DB2017</i>	75.8	13	20	12.8
<i>DB2018</i>	76.6	13	19.5	7.9
<i>DB2019</i>	81.9	10	16.5	6.8
<i>DB2020</i>	89.2	5	16.5	6.9

Source: *Doing Business* indicators. <https://www.doingbusiness.org>.

Note: DB = *Doing Business* (publication).

Progress in business registration complemented several other recent reforms in the investment climate. Pakistan was considered one of the top reformers in the *Doing Business 2017* report thanks to improvements in registering property, getting credit, and trading across borders undertaken in 2015–16 (World Bank 2017a). The overall *Doing Business* score (which measures the distance from the institutional frontier) for Pakistan has improved from 53 (out of 100) in *Doing Business 2013* to 60 in *Doing Business 2020* (World Bank 2013a, 2020).⁸

Objective 1: Overall Assessment

Progress in the selected dimensions of private and financial sector development has been mixed. There has been a significant improvement in business registration procedures, reflected in the *Doing Business* indicators, which at least partially could be attributed to the FSIG-supported establishment of the virtual one-stop shop. Strengthening the regulatory framework for credit bureaus was quite successful and helped facilitate broader improvements in small and medium enterprises’ access to credit. However, this success could not be fully attributed to the FSIG program; the remaining regulatory obstacles in this area were removed only after the FSIG program closure, as part of the follow-up World Bank DPC. In trade policy, the FSIG-supported actions to advance trade liberalization and simplify the import tariff structure brought few tangible results. The scale of reduction in the average import tariff was below the target, and the tariff structure remains nontransparent and distortive. Although the specific privatization target was met, the program did not help the government launch a sustainable privatization program. The government effectively stopped its privatization efforts, and no privatization transactions were completed after 2015.

Rating: **Modest.**

Objective 2: Mobilizing Revenue while Expanding Fiscal Space to Priority Social Needs—Achievement: Substantial

Tax Administration

Pakistan has been a chronic underperformer with respect to tax collection. With tax revenue below 10 percent of GDP in FY13–14, the country fell well below the average tax take of middle-income and low-income countries and the revenue needed to reduce the country's budget deficit and ensure fiscal space for priority public spending.

In February 2014, the government adopted a strategy to broaden the tax base, with a focus on the following priority directions:

- Reduction in tax expenditure by phasing out SROs over three years
- Revision of the procedures and thresholds for income and sales tax registration
- Identification of tax evaders in commercial and professional service sectors, more effective tax enforcement, and increased discriminatory tax rates for nonfilers

The FSIG program supported the government's efforts to reform tax policy and tax administration by including in the list of its prior actions (i) the approval of the Federal Bureau of Revenue (FBR) strategy paper containing a comprehensive tax reform strategy and (ii) implementation of several key actions envisioned under the FBR strategy. The latter included the following:

- Adopting legal amendments to permanently eliminate the discretion of the FBR to issue special tax exemptions, making any proposed tax exemption subject to parliamentary approval as part of the annual budget law;
- Providing additional tax measures in the 2014–15 budget law for a total revenue impact equivalent to at least 0.7 percent of GDP;
- Preparing and approving a separate tax expenditure annex to the annual budget law;
- Raising the intensity and effectiveness of tax audits by launching the information technology-based Taxpayers Audit Monitoring System, introducing risk-based tax audits, sending at least 70,000 notices to potential tax evaders, undertaking provisional tax assessments of at least 8,000 individual taxpayers, and other measures;
- Issuing national tax numbers to all members of the senate, the national assembly, and the provincial assemblies and disclosing their tax payments; and

- Expanding in two provinces the scope of their general sales tax on services.

Technical assistance for the implementation of these tax reforms was provided by the World Bank through the Trust Fund for Accelerated Growth and Reforms (TAGR), financed by DFID. Technical assistance facilitated FBR’s capacity building in the areas of tax audit, tax litigation, international taxation, creation of a large taxpayer unit, human resource management, information and communication technology development, and so on, and supported tax reforms at the provincial level.

There were two program targets in taxation:

- Overall tax collection to reach at least 11.5 percent of GDP by the end of FY15–16
- No special concessionary tax exemptions issued through SROs by the FBR (after the agreement on the FSIG program was signed)

The program used the baseline of overall federal and provincial tax collection in FY12–13: 9.6 percent of GDP. There were no indicators or targets for the effectiveness of additional tax enforcement measures, such as taxpayer audit, or for improvement in tax administration at the subnational level (in two select provinces).

The two program targets were largely achieved, but their sustainability remains of concern. Overall tax collection reached 12.4 percent of GDP in FY15–16, a significant overperformance compared with the target of 11.5 percent. Further growth, to 12.9 percent of GDP, was achieved by FY17–18. But tax collection deteriorated to about 11.6 percent in FY18–19 owing to a major reemergence of tax expenditures. In FY19–20, Pakistan experienced another significant revenue shortfall, equivalent to 1.4 percent of GDP, relative to the budget target, which was partly the result of the threefold increase of personal income tax thresholds (IMF 2019).

On tax exemption, initially the government of Pakistan succeeded in phasing out the SROs. In the first two years of the program, the total cost of tax exemptions was reduced by more than 0.6 percent of GDP, from 1.9 percent in FY13–14 to 1.3 percent in FY15–16. During that period, the FBR did not grant new tax exemptions (SROs) except for in the oil and gas and mining sectors (these were two of the “special” sectors that by agreement were left out of the SRO reform). However, since FY16–17 the political will to control tax expenditure has weakened. Many tax exemptions were reintroduced by the government before the 2018 elections. The total cost of tax expenditures expanded to 1.6 percent of GDP in FY17–18 and 2.5 percent in FY18–19, undermining the revenue raising effort.

There has been also considerable growth in tax collection by provinces, albeit from a low base. Overall, total provincial tax collection improved from 0.7 percent of GDP in FY12–

13 to 1.2 percent in FY17–18. Two leading provinces (Punjab and Sindh), which received a substantial amount of technical assistance under the DFID-funded project, were responsible for a major part of this increase (their combined share in overall provincial tax collection exceeds 90 percent).

However, progress with tax audit has been below expectations, and risk-based tax audit remains ineffective, facing some legal challenges.⁹ Still, there is some evidence of steady improvement in tax compliance: The number of personal income tax payers who have filed and paid their tax returns increased from fewer than 750,000 in FY12–13 to more than 1.2 million in FY18–19 (which is still low for a country where an estimated 32 million people are employed outside the agriculture sector).

To sum up, Pakistan’s revenue performance has improved significantly in recent years. This improvement was driven by both tax policy measures and enhanced tax administration at the federal and provincial levels. But much more effort is needed to consolidate this progress and reduce sustainability risk. Tax revenue is still below 15 percent of GDP, which is considered the minimum required by developing countries to fund basic government functions. A tax gap analysis recently completed by the World Bank indicates that Pakistan’s tax revenue would reach 26 percent of GDP if tax compliance were raised to 75 percent, a realistic level for middle-income countries (World Bank 2019b). This means that the tax authorities so far have been capturing only half of the country’s revenue potential.

Elite capture and corruption have been major obstacles for tax reforms. Critical reforms have stalled owing to opposition by privileged interest groups, as evidenced by the incomplete implementation of general sales tax reform, the preservation of tax exemptions for the agriculture sector, and ad hoc SROs (World Bank 2019a).

The progress made in taxation since 2014 could not be fully attributed to the FSIG program. The IMF’s EFF program had significantly greater leverage during its implementation in 2014–16. The EFF had major targets on tax revenue collection (floor) and the overall budget deficit (ceiling), which were monitored on a quarterly basis. In addition, the EFF had specific structural benchmarks and prior actions that overlapped with the FSIG-supported policy reforms and were aimed at strengthening the revenue performance of provincial governments, making improvements in tax audit, and so on.

Social Protection

In social protection, the primary objective of the FSIG program was to expand and strengthen the pro-poor orientation of the Benazir Income Support Programme (BISP), the main social assistance program in Pakistan. The government launched the BISP in 2008 to provide a minimum income support package to the poorest and most vulnerable

households. The program gives eligible families an unconditional cash transfer (UCT), originally set at a monthly value of PRs 1,000. The transfer is delivered quarterly.

The UCT is targeted at the poorest 25 percent of the population with a specific eligibility threshold set on the BISP poverty score, which is based on a proxy means test. Since FY12–13, beneficiaries have been selected exclusively on the basis of their poverty score. The BISP established the National Socio-Economic Registry to provide an objective summary estimate for the level of income and welfare in all households in Pakistan.¹⁰ The registry is now a database of more than 27 million households, validated by the national identification system.

In addition, the FSIG DPCs aimed to expand a complementary social assistance program, also run by the BISP administration, which is a conditional cash transfer (CCT) to facilitate access to primary education by children (5–12 years old, primarily girls) in BISP UCT beneficiary households. The CCT program started as a pilot in October 2012 in five districts (with 50,000 beneficiaries in the original pilot), and it remains the only CCT effective in Pakistan. The program provides a quarterly cash transfer per eligible child in the household, with no upper limit on the number of children per household. Receipt of the transfer is conditional on maintaining a minimum 70 percent school attendance rate, which is monitored on a quarterly basis.

The FSIG prior actions provided for the following amendments to budgeting and administration arrangements related to both UCT and CCT programs run by the BISP administration:

- Raising the basic UCT benefit to PRs 1,200 per family per month in the FY13–14 budget;
- Issuing an MOF notification guaranteeing timely and full quarterly budget releases to BISP;
- Obtaining the endorsement of the provincial governments of memorandums of understanding between the BISP administration and the provinces to extend the CCT program for primary education to at least 20 districts;
- Increasing the BISP allocation to PRs 97.15 billion in the 2014–15 budget law to raise the UCT benefit to PRs 1,500 per month for each beneficiary or family, an increase well above the rate of inflation;
- Expanding the CCT program for primary education to at least 27 districts with a benefit of PRs 250 per month for each child attending school;

- Reaching an implementation agreement between the BISP administration and each provincial government on a cost-sharing arrangement for CCTs;
- Increasing 2014–15 provincial budget allocations to nonsalary education and health spending by at least 26 percent; and
- Issuing internal rules and regulations by the BISP board to delineate the powers and functions of the BISP management and board.

The results indicator for the FSIG program was that the number of UCT beneficiaries who received full benefits would reach at least 5.5 million in June 2016 (against the baseline of 4.4 million in FY12–13). The program had no separate indicator or target for the expansion and efficacy of the CCT program.

The expansion of the BISP UCT program has been steady and largely successful. The quantitative program target was mostly achieved: there were 5.3 million UCT beneficiary households in 2017–18, against the target of 5.5 million. In 2018–19, 5.2 million beneficiaries received the UCT (with 5.7 million being registered as eligible).¹¹

The UCT benefit amount was increased to PRs 1,200 in July 2013, PRs 1,500 in July 2014, and PRs 1,566 in July 2015. This somewhat mitigated cuts in the electricity subsidy and hikes in the general sales tax rate, introduced under parallel government reforms and supported by other World Bank operations. Total spending on UCTs reached PRs 105 billion (about \$1 billion) in FY18–19, or 0.3 percent of GDP (against the pre-FSIG annual spending of PRs 65 billion in FY13–14). Budget releases for funding the transfer program are also more predictable. Under the FSIG-related technical assistance, the World Bank supported an additional household survey that helped update the National Socio-Economic Registry.

The CCT program has also steadily expanded, which currently provides cash transfers of PRs 750 per quarter per eligible child. Coverage increased to 32 districts in FY14–15 and 50 districts in FY17–18; the latest program target was 100 districts (out of 145 districts in the country) by March 2020. The number of CCT beneficiaries has grown to 2.5 million. The CCT budget expanded about tenfold, from PRs 0.45 billion in 2014 (a pilot in five districts) to PRs 4 billion in 2019. Overall growth in CCT coverage has been slow because BISP faced some difficulties in getting the provinces sufficiently interested in participating and providing cofinancing. But the provincial attitudes have been transforming gradually. The Independent Evaluation Group PPAR mission interviews suggested that the FSIG DPCs made an important contribution to this change.

An impact assessment of the CCT was undertaken by Oxford Policy Management in 2016 (Cheema et al. 2016). It found that the CCT program has significantly increased the

primary school enrollment of children, both boys and girls, ages 5–12. The marginal impact of the program is a 9 percent increase in enrollment, which is higher than the average impact estimated for similar programs worldwide.

World Bank support for strengthening social protection programs in Pakistan benefited from the availability of long-term technical assistance, funded by World Bank investment projects and trust funds. In particular, the Pakistan Social Safety Net Project (P103160, 2009–17), an investment project based on disbursement-linked indicator financing, ran concurrently with the FSIG program. In addition, DFID provided parallel funding of \$300 million to top up the BISP budget, with disbursements linked to progress under the FSIG program.

Budget Transparency

This policy area was not envisioned in the original design of the FSIG program and was added to FSIG-2. It aimed to strengthen public disclosure and ease access to external audit reports and in-year budget execution reports, which would facilitate budget accountability and transparency. However, the World Bank did not suggest any monitoring indicators to track expected improvements in this policy area, which suffered from lack of attention to measuring and documenting progress after the FSIG-2 disbursement. The ICR did not discuss the developments under this part of the program.

FSIG-2 contained the following specific prior actions:

- The MOF has issued a notification requiring each drawing and disbursing officer to provide commitment details to the accountant-general within 10 days of the month end. The quarterly budget releases to all departments and ministries are contingent on full compliance with this provision.
- The controller general of accounts has issued a notification to disclose on its website the annual audited financial statements for the previous five years and committed to disclose future financial statements within 15 days of the date they are laid before parliament.
- The MOF has issued a notification to disclose on its website monthly in-year revenue and expenditure reports of the federal government within 30 days of the month end.

There is no evidence that any of these policy measures have been mainstreamed and become part of the regular budgeting and disclosure practices in Pakistan. Instead, they were one-time-only government decisions, not backed up by adequate implementation incentives and without sufficient World Bank leverage to push for establishing more

robust implementation and monitoring arrangements. With respect to annual audited financial statements, at the time of the PPAR mission, the controller general office's website contained such a report for FY17–18, but not for the previous five years. There is no evidence, from a review of the MOF's website, that the MOF has ever established and sustained a practice of regularly publishing monthly in-year revenue and expenditure reports.¹²

The overall measure of budget transparency for Pakistan, the open budget index, published by the International Budget Partnership, showed a substantial deterioration during the FSIG implementation, from the score of 58 (out of 100) in 2012 to 44 in 2017.

Objective 2: Overall Assessment

Overall, achievement of objective 2 was **substantial**. All three program targets were either achieved or mostly achieved by FY17–18. In taxation, the program helped increase tax revenue by about five percentage points of GDP over five years. However, this improvement has not been robust, and risks to its sustainability remain high owing to the power of influential vested interests. There was a noticeable policy reversal with the reintroduction of tax exemptions in 2018. Although the World Bank made an important contribution to raising tax revenues in Pakistan, the IMF's EFF program, run in parallel with the FSIG program in 2014–16, deserves a larger part of the overall credit for actual gains in tax collections.

Progress has been steadier in social protection, where the political opposition to reforms, including at the provincial level, has been less acute. The FSIG program helped push through an expansion in budget allocations for major social transfer programs and facilitate institutional progress in transfer administration. However, if not complemented by stronger progress on revenue collection and reduced power subsidies, further growth spending on social protection may become fiscally unsustainable.

At the same time, there is no evidence of progress in budget transparency, for which the program contained no monitorable targets.

Rating: **Substantial**.

Outcome

The overall outcome rating of the program is **moderately satisfactory**. The relevance of objectives is rated **high**. The objectives were aligned with Pakistan's development strategy, Vision 2025, and consistent with the Bank Group's *Country Partnership Framework for Pakistan, FY15–19*. The relevance of design is rated **modest**, reflecting several significant shortcomings, including those related to the design of the results framework, insufficient justification for the selection of individual prior actions, and

underestimation of capacity constraints. Achievement of objective 1 (fostering private and financial sector development) is rated **modest** and of objective 2 (expanding social protection and mobilizing revenue), **substantial**. The program contributed to a major (although not robust) improvement in tax collection, significant expansion of the social safety net, and substantial streamlining in business registration procedures. But in trade policy, the FSIG-supported actions brought few tangible results. Although the specific privatization target was met, the program failed to help the government launch a sustainable privatization program. The outcome is attributable to the government's broader program and policies, which received considerable and well-coordinated external support, of which the World Bank financed a portion. This outcome rating is consistent with moderate shortcomings in Bank performance.

Risk to Development Outcome

The risk to development outcome is rated **high**. There are four main drivers of elevated risk. First, and by far the most important, is insufficient government ownership of major reforms, which has been regularly tested and undermined by the powerful domestic interest groups. Vested interests managed to effectively block two key reforms under the FSIG DPCs: launching the privatization program and advancing reduction or rationalization of import tariffs. These policy areas were also fully excluded from the government programs supported under the follow-up World Bank DPCs in 2017–18. At the moment, the prospects of resuming these reforms remain bleak. Furthermore, weak reform ownership was reflected in policy backsliding on tax reforms, where many new tax exemptions were reintroduced in 2018.

Second, Pakistan faces an elevated risk of macroeconomic instability, given its vulnerability to external and internal shocks. Weak macroeconomic performance was the primary reason for Pakistan's inability to sign a new EFF agreement with the IMF for more than two years after late 2016.¹³ In particular, after initial gains in 2014–15, the reforms in the energy sector have stalled, and payment arrears have increased, pointing to a higher macro risk. Potential deterioration in macro performance would generate additional challenges for the implementation of priority structural reforms. For instance, it would create additional fiscal pressures against a further reduction in import tariffs, while increasing the risk of underfinancing the social benefit programs.

Third, the country's political and security situation remains unstable and could be detrimental to the government's ability to focus on the implementation of priority reforms.

Fourth, the government faces considerable capacity limitations that hamper its ability to design and implement the measures necessary to sustain the reform achievements. The

capacity gaps in the Privatization Commission are the best-known example. The commission needs external assistance not just to design future privatization tenders but to communicate more effectively with the public about the potential benefits of privatization. Another area of acute skill shortage relates to tax audit and tax enforcement.

On the positive side, the government's ownership of reforms has been much stronger in social protection and the financial sector.¹⁴ Those sectors are also less affected by the capacity constraints, in part because they have benefited from substantial donor-funded technical assistance. Furthermore, the World Bank provided some risk mitigation by planning two successor DPCs in 2017–18. Originally, these DPCs were expected to further advance the FSIG reform agenda. However, this mitigation strategy worked only partially: The first such DPC (Competitiveness and Growth) supported a reform program that was structurally similar to the one under the FSIG program (with an emphasis on tax reforms, social protection, investment climate, and access to finance), while the second DPC was refocused to support financial sector reforms.

Bank Performance

Overall Bank performance is rated **moderately satisfactory**.

Quality at entry: **moderately satisfactory**.

The preparation of the FSIG program was completed under a relatively compressed timetable, responding to what was seen as a window of opportunity that opened after the new government took office in 2013. The program was a significant part of the joint strategy to expand support of the government's fiscal consolidation and reform effort, agreed at a special meeting of donors (World Bank, DFID, the United States Agency for International Development, the IMF, and the Asian Development Bank) in London in 2013. The objectives and reform content of the FSIG program were aligned with the IMF's EFF program. Moreover, some development partners, such as DFID, used the FSIG framework to trigger disbursements for their own budget support to Pakistan.

Despite the compressed preparation schedule, the program design benefited from a considerable body of relevant analytics, completed by the World Bank and its partners in prior years. Those advisory services and analytics products included the Country Economic Memorandum (World Bank 2013d), the *Public Financial Management and Accountability Assessment* (Pakistan and Development Partners 2012), and reports on mobilizing revenue (World Bank 2013c) and *Doing Business* in Pakistan (World Bank 2010). Therefore, lack of proper prioritization of FSIG-supported reforms in several policy areas (such as access to credit and budget transparency, where selected prior actions did not reflect the real binding constraints) could not be explained by a lack of

necessary country knowledge. The more likely explanation is that several FSIG prior actions were selected because they were easy to implement within the agreed time span. The single main knowledge gap in the preparation of the FSIG series relates to the lack of political economy analysis of major interest groups that would pose a risk to the reform implementation in specific program areas, such as privatization and trade liberalization.

The preparation also benefited from significant technical assistance, provided under parallel investment projects of the World Bank (social protection) and by self-standing, grant-funded programs of other development partners. The World Bank and DFID created the special multidonor TAGR (\$50 million) to play a central role in delivering technical assistance in the areas supported by the FSIG series. It helped design and implement tax, trade, and social protection reforms, as well as program measures in investment climate, privatization, and access to credit. In addition, the TAGR funded analytics (including on tax and social benefit administration) that helped better focus the follow-up DPCs. The TAGR-funded technical assistance has been highly valued by the government counterparts, as suggested by the meetings the PPAR mission held in Islamabad. However, at least in one case (the Privatization Commission), technical assistance did not succeed in upgrading the capabilities of the recipient quickly enough to ensure a smooth implementation of the program.

In the course of FSIG program preparation, the project team also looked into the lessons for designing DPC series that were identified under the earlier programs of World Bank budget support to Pakistan. However, not all relevant lessons were successfully internalized in the program design. For instance, a recommendation from the earlier Independent Evaluation Group PPAR (World Bank 2005) on four structural adjustment loans in Pakistan emphasized the importance of precise definitions of prior actions and their completion dates to avoid delays or failures to achieve objectives. In the case of the FSIG program, several prior actions remained imprecise and misunderstood by government counterparts, which caused implementation delays, various tensions, and reduced development impact (for example, in privatization).

The identification of risks in the program documents was largely correct, with a major emphasis on political economy, macroeconomic shocks, and capacity constraints. The overall risk of the program was properly rated **high**. In retrospect, the risk analysis underestimated the risk related to the opposition from interest groups to key reforms, including those aimed at the rationalization of trade regime and privatization. The only risk of this sort mentioned in the policy document for FSIG-1 was narrowly focused on tax reforms (“political opposition in the senate,” [World Bank 2014, 27]). The broader risk of erosion of government ownership of reforms and a loss of reform momentum due to domestic internal tensions was not clearly identified. This was a major factor in

reform slowdown and loss of fiscal discipline after the FSIG program closure: The internal political crisis in Pakistan led to the disqualification of the prime minister in July 2017 and major weakening of the government. But the World Bank generally is not in a position to successfully mitigate these kinds of risks.

Mitigation measures seemed broadly adequate. The weakest point of the mitigation strategy related to insufficient attention to communication: Although the program document suggested undertaking “a systematic work with media and other stakeholders to track and inform public opinion on the benefits of reform” (World Bank 2014, 27), there is no evidence that such support was provided in a systematic manner.

Overall, the main shortcomings in the Bank performance at entry relate to the deficiencies in both the design and results framework, which are discussed in detail in the respective sections of this PPAR.

Quality of supervision: **moderately satisfactory.**

Supervision of the series was undertaken as part of the preparation of FSIG-2 and the follow-up DPC. The team has been proactive in conducting the policy dialogue at the central and sector levels. Strong in-country presence of the World Bank was instrumental to ensuring the continuity and high intensity of the dialogue.

The indicative triggers proposed at the launch of the program for FSIG-2 were modified to reflect actual experience accumulated during FSIG-1 implementation. Prior actions under FSIG-2 were, on average, somewhat stronger than originally expected. None of original triggers were dropped, and three additional policy measures were included. The most important of these was the adoption of new rules to more clearly delineate the powers and functions of the BISP management and its board. The specific example of strengthening several original triggers relates to the expected minimum in 2014–15 budget allocation for BISP: It increased from PRs 80 billion in the policy document for FSIG-1 to PRs 97.15 billion in that for FSIG-2.

Considerable just-in-time technical assistance, policy advice, and relevant analytics were delivered during the supervision period to facilitate the implementation of government policies supported under the series. The team prepared one Implementation Status and Results Report in April 2016, which briefly summarized progress achieved by that time for all results indicators.

Still, supervision showed three modest interrelated shortcomings:

- The team did not address the main weaknesses in the design of the results framework, keeping the same insufficient number of indicators despite further expansion in program coverage under FSIG-2.

- Adding another policy area (budget transparency) not directly related to the project development objective, at the FSIG-2 stage, was not justified. Furthermore, this additional policy area had no result indicators, and the team did not collect any evidence that the respective prior actions were implemented in a meaningful way.
- The monitoring of the implementation of FSIG-related reforms was largely limited to the areas that either have their own results indicators or were important for the preparation of the follow-up DPCs. It left the impact of several FSIG prior actions undocumented. Those included the effect of new microinsurance rules and steps to enhance budget transparency.

Borrower Performance

Overall borrower performance is rated **moderately unsatisfactory**.

Government performance is rated **moderately unsatisfactory**.

The government was committed to the challenging agenda of advancing macroeconomic stabilization and accelerating structural reforms to resume economic growth. Successful completion of the three-year EFF program with the IMF should be seen as a clear confirmation of this commitment. Under the FSIG program, the government must be credited with strong performance against the program targets in tax collection (up to 2016), social protection, and business registration. But with respect to the rest of the FSIG program, government performance was mixed, reflecting insufficient ownership of several major reforms and capacity gaps among selected implementing agencies. Moreover, the government reform commitment weakened after the EFF completion in 2016 and in the expectation of 2018 elections.

The major areas of government underperformance included the following:

- Reform of import tariffs, where the reduction in average tariff was much below the agreed target, with no real progress made on improving the tariff structure;
- Privatization, where the government effectively stopped preparation of future privatization transactions after the FSIG closure;
- Tax policy, where the government reintroduced many tax exemptions in 2018–19;
- Business registration, where online access to the one-stop shop services was introduced with a major delay, and it became fully operational only after the FSIG program closure;

- Effectiveness of new legislation on credit bureaus, which was also delayed and was secured only through additional leverage under the follow-up DPC; and
- The MOF did not make an adequate effort to sustainably implement its commitments in budget transparency.

In addition, as reported in the ICR (World Bank 2017c, 21), some implementing agencies (for example, FBR, Privatization Commission) were initially somewhat reluctant participants in the FSIG-related TA program.

Implementing agency performance is rated **not applicable**. The government and implementing agencies cannot be distinguished.

Monitoring and Evaluation

Monitoring and Evaluation (M&E) design. The results framework defined a set of six results indicators and associated targets intended to measure progress toward the program objectives. Although most of these indicators were meaningful and measurable, and all had the properly described baselines, they were too few for a program with such a broad coverage (7 policy areas and 19 prior actions). Therefore, the results framework did not allow for proper monitoring the impact of several important reforms. The following reform areas had no corresponding results indicators:

- Adoption of the new microinsurance rules
- Simplification of new business registration procedures
- Strengthening tax compliance (tax audit)
- Expansion of the CCT program
- Enhancing budget transparency

In the absence of formal monitoring indicators, the second-best solution could have been to reach an agreement with the borrower to systematically monitor the pace of implementation of the reforms that had been triggered by various prior actions under the program. However, there is no evidence that such alternative monitoring arrangements were discussed.

Another shortcoming of the results framework relates to the design of the privatization indicator, which combined strategic and equity sales, undermining incentives for preparing more demanding strategic privatization deals that would result in transferring corporate control to the private sector.

Furthermore, the M&E design missed the opportunity to monitor the gender dimension of supported reforms, especially in social protection (the impact of CCT on school enrollment by gender) and business registration (the impact of new registration procedures on expanding opportunities for women entrepreneurs).

The MOF was responsible for managing data collection for the reports to be prepared by the implementing agencies.

M&E implementation. In the event, the collection of relevant M&E information was coordinated by the World Bank team with input from the MOF and implementing agencies. This was done as part of the preparation of the follow-up DPCs (FSIG-2 and Competitiveness and Growth) and during the ICR preparation.

M&E use. The ICR does not discuss the use of M&E data. Although, as follows from the review of respective projects documents, M&E results were used during the development of further DPCs and during the preparation of the Implementation Status and Results Report and the ICR.

¹ The section on Efficacy discusses some minor evolution of the project development objective during the program.

² This split was consistent with the Independent Evaluation Group's recommendation made in the Project Performance Assessment Report on four earlier structural adjustment loans in Pakistan: "Complex or politically-difficult sector reforms are best supported through dedicated sector operations. A multi-sector operation can play only a secondary or facilitating role when dealing with . . . deep-rooted reluctance to reform (as in power)" (World Bank 2005, 25).

³ In February 2019, Standard & Poor's lowered Pakistan's sovereign credit rating to B-, citing diminished growth prospects and elevated external and fiscal stresses.

⁴ "Privatization occurs when a government-owned business, operation, or property becomes owned by a private, non-government party." See Hargrave 2019.

⁵ The insurance penetration rate is used as an indicator of insurance sector development within a country and is calculated as the ratio of total insurance premiums to gross domestic product in a given year. See <http://www.statista.com>.

⁶ The World Bank provided additional support to the government of Pakistan in promoting an inclusive and transparent financial sector under the subsequent development policy credit, Finance for Growth (P161136), approved in 2017.

⁷ The most-favored-nation tariff is the lowest possible tariff one country can assess on another.

⁸ These scores are not fully comparable because of the changes in the Doing Business methodology, but most observers agree that Pakistan has made visible progress over the last decade in investment climate.

⁹ The World Bank made the improvement in risk-based tax audit one of the key objectives of the new tax reform project, Pakistan—Raises Revenue Project, approved in 2019.

¹⁰ See <https://bisp.gov.pk>. Pakistan is among the few countries in the world that have developed such a comprehensive system.

¹¹ The number of beneficiaries decreased owing to the de-crediting policy that requires the Benazir Income Support Programme to block the accounts of beneficiaries who have not withdrawn money from their accounts for over six months.

¹² The issue discussed here relates to proper disclosure of budget expenditure data, but not to the production of the respective budget reports and their quality. According to the *Public Financial Management and Accountability Assessment*, the government budget execution reports have been generated by the Government Financial Management Information System every month and provide detailed information on both budgeted and actual spending (Pakistan and Development Partners 2012, 50). The data are considered credible and accurate.

¹³ The International Monetary Fund Board approved the new 39-month Extended Fund Facility program for Pakistan on July 3, 2019.

¹⁴ Reforms in the financial sector were supported by the World Bank's Finance for Growth Development Policy Credit.

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Appendix B. Environmental and Social Effects

This Fiscally Sustainable and Inclusive Growth (FSIG) series did not trigger any World Bank environmental safeguard policies.

Poverty, Gender, and Social Aspects

In social protection, the primary objective of the FSIG program was to expand and strengthen the pro-poor orientation of the Benazir Income Support Programme (BISP), the main social assistance program in Pakistan. The program provides eligible families with unconditional cash transfers (UCTs), originally set at a monthly value of PRs 1,000. The UCT is targeted at the poorest 25 percent of the population, with a specific eligibility threshold set by the BISP poverty score, which is based on a proxy means test. The BISP established the National Socio-Economic Registry to provide an objective summary estimate for the level of income and welfare in all households in Pakistan.¹ The registry is now a database of more than 27 million households and is validated by the national identification system. The BISP targeting mechanism benefited from considerable technical assistance from the World Bank and is considered highly effective: Approximately 75 percent of all disbursed cash benefits accrue to the bottom two quintiles of the population (World Bank 2015, 40).

World Bank assistance to strengthen Pakistan's safety net as part of the FSIG series generated significant poverty and gender impacts. The expansion of the BISP UCT program, directly supported by the FSIG program, was steady and largely successful (discussed in appendix A). The expansion of the BISP budget and the enhancement both of the governance arrangements and the financial management of benefit administration directly contributed to poverty reduction and to Pakistani women's human capital development. The World Bank estimates that the poverty rate in Pakistan, using the \$1.9 poverty line based on purchasing power parity, declined from 6.1 percent in 2013 to 5.4 percent in 2016. Given the strong performance of the UCT program's targeting system, a major part of benefits associated with the program expansion accrued to the poor.

Moreover, a significant share of BISP cash transfers are given to women who are heads of households. Various beneficiary assessments of the UCT program suggest that these transfers directly facilitate the empowerment of women benefit recipients (World Bank 2017, 27).

The contributing factors to this success include:

- Close monitoring by the World Bank and development partners of the implementation of the agreed schedule to ensure timely disbursements of budget allocations to the BISP;
- The government of Pakistan's ability to engage effectively with the provinces on their cofinancing of the BISP expansion;
- Availability of highly professional technical staff in the BISP with long tenure at the agency;
- Limited political opposition, including at the provincial level; and
- Access to learning from similar policy reforms in other client countries of the World Bank.

The FSIG series also contributed to a steady expansion in the conditional cash transfer program that facilitates growth in primary school enrollment among poor households (World Bank 2015, 41). The program coverage increased to 32 districts in FY14–15 and 50 districts in FY17–18; the latest program target was 100 districts (out of 145 districts in the country) by March 2020. The number of conditional cash transfer beneficiaries grew in each period to 0.7 million, 2.2 million, and 2.5 million, respectively.

The conditional cash transfer impact assessment undertaken by Oxford Policy Management in 2016 found that the conditional cash transfer program has significantly increased primary school enrollment of children, both boys and girls, ages 5–12 (Cheema et al. 2016). The marginal impact of the program is a 9 percent increase in enrollment. This is higher than the average impact estimated for similar programs worldwide.

¹ See <https://bisp.gov.pk>. Pakistan is among the few countries in the world that have developed such a comprehensive system.

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Appendix C. Policy and Results Matrix

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
Pillar 1. Fostering private and financial sector development							
Privatization	<i>Action 1.1:</i> The Privatization Commission has launched the privatization program, including (i) taking to market one strategic sale of an SOE, including calling for expressions of interest from prospective investors, and (ii) issuing requests for proposals and calling for expressions of interest in connection with the procurement of financial advisors to advise on another SOE strategic sale, and the offering of equity in three SOEs in domestic and international capital markets.	<i>Action 2.1:</i> As part of the implementation of its privatization program, the GOP has completed one SOE strategic sale and three capital market SOE equity transactions.	Results indicator: At least five entities privatized through strategic or equity sale by Jun. 2016. Baseline: No privatization transactions took place in the previous six years.	Equity stakes of various sizes were divested by the GOP in five entities (four capital market and one strategic). Share of ownership sold—UBL: 19.6% Jun. 2014; PPL: 5% Jun. 2014; ABL: 11.5% Dec. 2014; HBL: 42.5% Apr. 2015; NPCC: 88% 2015. HEC: failed. The privatization program was effectively stopped after 2015. The GOP planned to resume it in 2020.	ADB and USAID provided parallel TA and lending on SOE reform. ADB provided \$400 million in 2015–17 lending for SOE reforms. DFID’s TAGR (£30 million, 2016–19), managed by the World Bank, supported various policy reforms, including privatization. DFID also provided £300 million in budget support linked to DLIs on (i) social protection expenditure, (ii) tax performance, and (iii) progress under the IMF program.	An additional capital transaction (in fact, two additional) was added to the wording of the prior action for FSIG-2 on the privatization program to recognize actual progress achieved.	CGDPC did not support privatization. Instead it had a prior action on SOE reform/management: the collection and publication of key financial information for all SOEs. Another prior action: Corporatization of two SOEs in the insurance sector.

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
Access to credit	<i>Action 1.2:</i> The MOF has submitted the Credit Bureaus Bill, 2014, to the national assembly for approval. <i>Action 1.3:</i> The Securities and Exchange Commission has approved the Securities and Exchange Commission (microinsurance) rules, 2014.	<i>Action 2.2:</i> The national assembly has approved the Credit Bureau Act; and the GOP has joined the Better Than Cash Alliance.	Results indicator: An improved system/ framework providing availability, coverage, and quality of credit information for consumers and SMEs by Jun. 2016. Original indicator in FSIG-1: 100% access to credit information by Jun. 2016. Baseline: No consumer has access to his or her own credit information in Jun. 2013. No indicator/target for impact of microinsurance rules.	The Credit Bureau Bill was passed by the national assembly in 2015. Membership in the Better Than Cash Alliance was announced in Sept. 2015. The new bill expands consumers' access to their credit information in line with good international practices. Coverage of credit bureaus has expanded from 2.1% of the adult population in <i>DB2014</i> to 6.7% in <i>DB2020</i> . As of Sept. 2019, two private credit bureaus were issued licenses under the new legislation.		The Credit Bureaus Bill was subsequently amended by the senate and made incompatible with the original prior action (a requirement for the central bank to review all credit reports was inserted). A legislative correction/ amendment was introduced as a prior action in the context of the follow-on CGDPF (2016) DPC and brought into compliance. The decision to include measures that were a lower priority from the standpoint of growth or stabilization (such as passage of the Credit Bureau Act, or tariff simplification rather than reduction) can be seen as part of an effort to firmly establish these important themes (for example, trade reform, financial inclusion, improvements in the business climate) as	Improve the private sector's access to credit: one of the priority areas for CGDPF. The GOP issued a presidential ordinance amending the Credit Bureau Act in early Apr. 2016, and the national assembly passed the amendments in May 2016. FGDPC: Deepening financial sector reforms: access to credit, AML, infrastructure finance, deposit insurance, and financial inclusion.

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
Trade regime		<p><i>Action 2.3:</i> Parliament has approved a budget law, 2014–15, providing for the application of six statutory tariff slabs, and the MOF has approved a plan to achieve four slabs in three years, within a range of 1–25% for all tariff lines, allowing very few exceptions and tariff peaks to address sensitive goods or special sectors only.</p>	<p>Results indicator: Simple average statutory tariff rate is at or lower than 12% in Jun. 2015.</p> <p>Original target: Simple average statutory tariff rate is at or lower than 10%.</p> <p>Baseline: Simple average statutory tariff rate was 14.4% in Jun. 2013.</p> <p>Number of standard slabs was seven in FY13–14.</p> <p>No indicator/target for the simplification of the tariff structure (number of tariff slabs).</p>	<p>Simple average statutory tariff rate was 13.4% in 2016. The average rate declined to 12.8% in 2019, still missing the revised target.</p> <p>Number of slabs was not reduced. The number of standard slabs came back to seven in 2019.</p> <p>The tariff structure was not simplified. Variation in regular tariff increased (measured by CV) from 82% in 2013 to 100% in 2019.</p> <p>Additional and regulatory tariffs remain common. The additional tariff adds more than two percentage points to the regular customs tariff on average.</p> <p>No evidence that the GOP has continued</p>		<p>pillars of the overall World Bank–supported reform agenda.</p> <p>The effort to reduce average tariffs was undermined by continued reliance on customs revenue to achieve fiscal targets.</p>	

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
Investment climate (business registration)		<i>Action 2.4:</i> As part of the implementation of the plan for improving the business environment, SECP, FBR, and EOBI have established a VOSS for business registration and a physical OSS in Lahore.	No specific indicator for simplification of business registration.	with the implementation of the MOF's medium-term tariff rationalization plan. Although both the OSS and VOSS were legally established, neither was operational by the time of the ICR (2017). At the same time, the GOP was able to significantly shorten processing time on the sites of the individual entities responsible for business registration. This achievement cannot be directly attributed to DPC measures. By the time of the PPAR mission (2019), the VOSS was operational. The overall number of business registrations increased from 4,587 in FY13–14 to 14,461 in FY18–19, about	DFID TA supports reforms in business registration and access to financial services.	That the GOP has been able to reduce the number of procedures required to register a business, despite the earlier failure of the VOSS and the OSS, suggests that ownership of this part of the policy agenda has been well rooted.	

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
				threefold. Almost all new registrations were made through the VOSS: More than 26,000 businesses registered there from when it became operational in Mar. 2018 up to late 2019. Pakistan's rank on the DB Starting Business indicator improved from 122nd in <i>DB2013</i> and 142nd in <i>DB2018</i> to 72nd in <i>DB2020</i> .			
Pillar 2. Expanding social protection and mobilizing revenue							
Social protection	<i>Action 1.4:</i> The MOF has strengthened the pro-poor orientation of the BISP through (i) raising the basic benefit under BISP to PRs 1,200 per family per month, (ii) issuing a notification guaranteeing timely and full quarterly	<i>Action 2.5:</i> Parliament has approved a budget law in 2014–15 increasing the BISP allocation to PRs 97.15 billion to raise the benefit amount to PRs 1,500 per month per	Results indicator: Number of UCT beneficiaries who received full benefits is at least 5.5 million in Jun. 2016. Baseline: Number of UCT beneficiaries who received full benefits was	5.3 million beneficiaries in 2017. 5.1 million actually received the UCT benefit in 2019 (5.7 million were registered as eligible). BISP has expanded its UCT to the poor identified through a proxy means test,	DFID TA covered support for BISP. Between 2012 and 2020, the United Kingdom made a commitment to invest up to PRs 47 billion in BISP.	BISP reported that 5.7 million beneficiaries were identified but that only 5.3 million registered to receive benefits. BISP considers that the nonregistrants may have died or been unable to register because of relocation due to floods or conflict.	Further reforms under the CGDPF: BISP to update the NSER.

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
	budget releases to BISP, and (iii) obtaining from the chief secretaries of the provinces endorsement of memorandums of understanding between BISP and the provinces to extend CCTs for primary education to at least 20 districts.	beneficiary/ family, well above inflation, and start activities to expand CCTs for primary education in at least 27 districts with a benefit of PRs 250 per month per child attending school. In addition, BISP has reached an implementation agreement with each provincial government on a cost-sharing arrangement for CCTs. • <i>Action 2.6:</i> In compliance with the BISP Act 2010, the BISP board has issued internal rules and regulations delineating the powers and functions of the	4.4 million in 2012–13. No indicator/target for expansion and efficacy of the new CCT program.	with an enhanced benefit amount of PRs 1,500 per month per family, effective from FY14–15. The benefit was further increased to PRs 1,566 in Jul. 2015. Total spending on UCTs reached PRs 105 billion in FY18–19 (0.3% of GDP). This somewhat mitigated cuts in the electricity subsidy and hikes in the GST rate. The CCT program provides a cash transfer of PRs 750 per quarter per eligible child in the household in selected districts. There were 32 districts covered by the program in 2015, with 1.3 million beneficiaries. The program coverage reached 50 districts		An additional prior action was introduced to FSIG-2 to more clearly delineate the powers and functions of the BISP management and its board.	

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
		BISP management and board.		in 2018 (with 1.9 million beneficiaries). The current target is 100 (out of 145) districts by March 2020, with 2.5 million beneficiaries. The CCT budget expanded tenfold, from PRs 0.45 billion in 2014 to PRs 4 billion in 2019. CCT impact assessment was undertaken by Oxford Policy Management (2016). It found that the CCT program has had a positive and significant impact on school enrollment of children aged 5–12.			
Tax administration	<i>Action 1.5:</i> (i) The MOF has approved the FBR strategy paper containing a comprehensive tax reform strategy consistent with it; (ii) the FBR has refrained, since Jul.	<i>Action 2.7:</i> Parliament has approved a budget 2014–15, which includes (i) a tax expenditure annex, (ii) the elimination of a	Results indicator: Overall tax collection is at least 11.5% of GDP by end-FY15/16 and no special concessionary exemptions were	Overall tax collection was 12.4% of GDP in FY15/16, a significant overperformance. The GOP was also able to curtail the use of SROs by the FBR except in a few	World Bank and IMF staff closely coordinated through joint review missions on tax and trade policy and administration reforms.		CGDPF supported (i) further tax administration reforms (paying taxes online), (ii) third round of removal of SROs, (iii) FBR implementing a new audit policy that

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
	1, 2013, from issuing SROs granting special tax exemptions. <i>Action 1.6:</i> The FBR, as part of the implementation of the FBR strategy paper, has (i) issued at least 70,000 notices to potential tax evaders to register and file tax payments and (ii) undertaken provisional tax assessments of at least 8,000 individuals. <i>Action 1.7:</i> The FBR, as part of the implementation of the FBR strategy paper, has (i) launched the information technology-based Taxpayers Audit Monitoring System, (ii) undertaken ballot-based audits of at least 5% of total tax returns	set of tax exemptions and SROs, and (iii) provision of additional tax measures for a total revenue impact equivalent to at least 0.7% of GDP. <i>Action 2.8:</i> The GOP has (i) issued a presidential ordinance containing all amendments of the corresponding tax laws to permanently eliminate the discretion of the FBR to issue special tax exemptions, making any proposed tax exemption subject to parliamentary approval as part	issued through SROs by FBR. Baseline: Overall federal and provincial tax collection was at 9.6% of GDP by end-FY12–13. (In fact, the actual tax collection in FY12–13 was 10% of GDP [IMF data].) No indicators/targets on the effectiveness of audit actions on growth in tax collection and social spending in two select provinces.	narrowly defined sectors. Further growth in tax collection was achieved in FY17–18: 12.9% of GDP. But it then declined to about 11.6% in FY18–19 owing to a major expansion in tax expenditures. The estimated value of federal tax expenditures did not show a sustainable decline, despite the elimination of SROs: 1.1% of GDP in FY12–13, 1.9% in FY13–14, 1.6% in FY17–18, 2.5% in FY18/19. There has been considerable growth in tax collection by provinces, although from a low base. Overall, total provincial tax collection has improved from 0.7% of GDP in FY12–13 to 1.2% in FY17–18.	DFID TAGR had a major focus on tax reforms (at both federal and provincial levels).		includes risk profiling of taxpayers.

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
	<p>filed for tax year 2012, and (iii) completed at least 25% of such audits. <i>Action 1.8:</i> The FBR, as part of the implementation of the FBR strategy paper, has (i) published the Parliamentarians Tax Directory and (ii) issued national tax numbers to all members of the senate, the national assembly, and the provincial assemblies and disclosed their tax payments.</p>	<p>of the annual budget law and the corresponding tax legislation and (ii) submitted to the parliament such amendments as part of the Finance Bill for the budget FY15/16. <i>Action 2.9:</i> The FBR has (i) issued 171,000 notices to identified potential tax evaders to register and file tax payment and taken administrative or legal actions on at least 25% of the potential taxpayers who received notices by Dec. 31, 2014, but failed to respond to them and (ii) selected at least 7.5% of</p>		<p>Two lead provinces (Punjab and Sindh) were responsible for a major part of this increase (their combined share in the overall provincial tax collection is 93%). Risk-based tax audit remains ineffective. Still, there has been some evidence of steady improvement in tax compliance: the number of PIT payers who filed and paid their tax returns increased from fewer than 750,000 in FY12 to more than 1.2 million in FY19 (which is still low).</p>			

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
		nonsalary spending, including large taxpayers (filed for tax year 2013) through ballot or risk-based audits and completed audits for at least 10% of those selected cases. <i>Action 2.10:</i> (i) Two provinces have expanded the scope of their GST on services to increase their revenue, and (ii) the provinces have increased their FY14–15 budget allocations to nonsalary education and health spending by no less than 26%.					
Budget transparency		<i>Action 2.11:</i> (i) The MOF has	No indicator/target	With respect to the annual audited		The GOP made a commitment to publish	

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
		<p>issued a notification requiring each drawing and disbursing officer to provide commitment details to the accountant-general within 10 days of the month end. The quarterly budget releases to all departments and ministries will be contingent on full compliance with this provision; (ii) the recipient's controller general of accounts has issued a notification to disclose on its website the annual audited financial statements for the previous five</p>	<p>for improvements in budget transparency.</p>	<p>financial statements, at the time of the PPAR mission, the controller general office's website contained such a report for FY17–18, but not for the previous years. There is no evidence that the MOF has ever established and sustained a practice of regularly publishing on its website monthly in-year revenue and expenditure reports.</p>		<p>on the MOF website monthly in-year reports on revenues and expenditures within 30 days of month end. Although a template of such a report was shown to the World Bank, there is no evidence that reports were ever published on the MOF website.</p>	

Thematic Area	Prior Actions FSIG-1 (2014)	Prior Actions FSIG-2 (2015)	Indicators: Baseline/ Targets	Outcome/Actual	Collaboration with IMF, ADB, DFID	Comments from ICR and ICR Review	Follow-Up DPC Operations, CGDPC (2016), FGDPC (2017)
		years and committed to disclose future financial statements within 15 days of the date they are laid before parliament; and (iii) the MOF has issued a notification to disclose on its website monthly in-year revenue and expenditure reports of the federal government within 30 days after the month end.					

Note: ABL = Allied Bank Limited; ADB = Asian Development Bank; AML = anti-money laundering; BISP = Benazir Income Support Programme; CCT = conditional cash transfer; CGDPC = Competitiveness and Growth Development Policy Credit; CGDPF = Competitiveness and Growth Development Policy Financing; CV = coefficient of variation; DB = *Doing Business*; DFID = UK Department for International Development; DLI = disbursement-linked indicators; DPC = development policy credit; EOBI = Employees' Old-Age Benefits Institution; FBR = Federal Bureau of Revenue; FGDPC = Finance for Growth Development Policy Credit; FSIG = Fiscally Sustainable and Inclusive Growth; FY = fiscal year; GDP = gross domestic product; GOP = government of Pakistan; GST = general sales tax; HBL = Habib Bank Limited; HEC = Heavy Electrical Complex; ICR = Implementation Completion and Results Report; IMF = International Monetary Fund; MOF = Ministry of Finance; NPCC = National Power Construction Corporation; NSER = National Socio-Economic Registry; OSS = one-stop shop; PIT = personal income tax; PPAR = Project Performance Assessment Report; PPL = Pakistan Petroleum Limited; PRs = Pakistan rupees; SECP = Security and Exchange Commission of Pakistan; SME = small and medium enterprise; SOE = state-owned enterprise; SROs = statutory rules and orders; TA = technical assistance; TAGR = Trust Fund for Accelerated Growth and Reforms; UBL = United Bank Limited; UCT = unconditional cash transfer; USAID = US Agency for International Development; VOSS = virtual one-stop shop.

Appendix D. Methods and Evidence

This Project Performance Assessment Report (PPAR) evaluated a programmatic series of two development policy operations for Pakistan: the Fiscally Sustainable and Inclusive Growth (FSIG) Development Policy Credits. Independent Evaluation Group (IEG) project ratings are described in appendix A.

This report was prepared using the standard IEG methodology for PPARs and rating scale, available at <https://ieg.worldbankgroup.org/methodology/PPAR>.

This development policy credit series was selected for a PPAR for a number of reasons, including the following: (i) It was the first World Bank policy support credit in Pakistan after a 10-year hiatus and an important first step to reestablish partnership with the government, which paved the way for a number of subsequent World Bank projects (development project financing and investment project financing); (ii) the project achieved important results in key areas, such as revenue mobilization, but the achievements were not sustained; (iii) it was part of a broad international effort to help Pakistan deal with an emerging deep macroeconomic crisis, with a particularly important role played by the International Monetary Fund (IMF); (iv) the World Bank split two important reform areas (tax and energy) between two separate series of development policy credits, and the PPAR was a proper instrument to assess the success or failure of such design.

The PPAR used a mixed methods approach, including desk review, analyses of macro- and socioeconomic indicators, portfolio review analysis, and semistructured stakeholder interviews. The findings of this report are based on in-depth reviews of program documents, IMF reports, discussions with World Bank staff, and interviews with government officials in Washington, DC, and Islamabad during the IEG mission in December 2019. The analysis relied on government of Pakistan, World Bank, and IMF data on trends in poverty, business registration, tax collection, structure of import tariff, coverage of main social protection programs, and so on.

Besides the standard objectives of assessing the relevance and effectiveness of the series, the PPAR addressed the following broad evaluation questions:

- How sustainable have the achievements of the FSIG program been?
- How much complementarity and additionality were realized in the preparation and implementation of the FSIG program versus the interventions of the World Bank's core development partners, such as the IMF and the Asian Development Bank?

- Did the FSIG program implementation manage to establish a basis for longer-term engagement with the government of Pakistan on core policy reforms and lead to a sustainable sequence of policy-based lending operations?
- What are the main lessons from the reengagement with the new and relatively inexperienced government?

The IEG mission to Islamabad interviewed the following persons:

World Bank and International Finance Corporation Staff

1. Amjad Bashir, Sr Economist, International Finance Corporation
2. Jeff Chelsky, Implementation Completion and Results Report Team Leader
3. Melinda Good, Operations Manager
4. Gul Najam Jami, consultant (Benazir Income Support Programme [BISP])
5. Raul Felix Junquera-Varela, Lead Public Sector Specialist
6. Amjad Zafar Khan, Sr Social Protection Specialist
7. Shabana Khawar, Principal Country Officer, International Finance Corporation
8. Jose Lopez-Calix, Lead Economist
9. Clelia Rontoyanni, Lead Public Sector Specialist
10. Sarmad Ahmed Shaikh, Financial Sector Specialist
11. Gonzalo Varela, Sr Economist
12. Muhammad Waheed, Sr Economist
13. Namoos Zaheer, Sr Financial Sector Specialist

Government of Pakistan

1. Aamir Nazir Gondal, Joint Secretary, Ministry of Finance
2. Malik Ishfaq Khan, Section Officer, Ministry of Finance
3. Hamid Ateeq Sarwar, Member, Federal Bureau of Revenue
4. Mr. Aftab Ahmed Razzaqi, Chief, Trust Fund for Accelerating Growth and Reforms, Federal Bureau of Revenue

5. Seema Shakil, Member Operation, Federal Bureau of Revenue
6. Adil Akbar Khan, Joint Secretary, Economic Affairs Division
7. Azam Khan, Deputy Secretary, Economic Affairs Division
8. Shaukat Hussein, Commissioner, Securities and Exchange Commission of Pakistan
9. Mubasher Saeed Saddozai, Registrar of Companies, Securities and Exchange Commission of Pakistan
10. Ahmed Nasir, Director-General, National Socio-Economic Registry, BISP
11. Naveeda Salam, Director-General, BISP
12. Fahad Imran Sabir, Dep. Director, National Socio-Economic Registry, BISP
13. Tahir Mehmood Kholchar, Director, National Socio-Economic Registry, BISP
14. Noor Rehman Khan, Asst. Director-General (Conditional Cash Transfer Program), BISP
15. Ahmed Athar, Case Management Specialist, BISP
16. Tariq Mahmood, Director-General (Conditional Cash Transfer Program), BISP
17. Ammar Naqvi, Director-General, MIS Controller General of Accounts, BISP
18. Muhammad Shamim, Director-General, Privatization Commission
19. Mr. Ammad, Technical Assistant, Privatization Commission