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**CONFORMED**

**CREDIT NUMBER 3834-2-PAK  
(Amendment)**

# **Second Agreement Amending the Development Credit Agreement**

**(Second Poverty Alleviation Fund Project – Second Additional Financing)**

**between**

**ISLAMIC REPUBLIC OF PAKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated May 2, 2007**



**CREDIT NUMBER 3834-2-PAK  
(Amendment)**

**SECOND AGREEMENT AMENDING THE  
DEVELOPMENT CREDIT AGREEMENT**

This SECOND AMENDING AGREEMENT is dated May 2, 2007, and is made between ISLAMIC REPUBLIC OF PAKISTAN (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

(A) WHEREAS pursuant to a development credit agreement dated January 20, 2004, between the Borrower and the Association, as amended to date (the "Development Credit Agreement"), the Association agreed to provide the Borrower with a credit in an amount in various currencies equivalent to one hundred sixty-eight million one hundred thousand Special Drawing Rights (SDR 168,100,000) to assist in financing the Second Poverty Alleviation Fund Project described in Schedule 2 to the Development Credit Agreement (the "Project");

(B) WHEREAS pursuant to a project agreement dated January 20, 2004, between Pakistan Poverty Alleviation Fund (PPAF) and the Association, as amended to date (the "Project Agreement"), PPAF agreed to carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to the Project Agreement;

(C) WHEREAS pursuant to an Agreement Amending the Development Credit Agreement dated December 6, 2005 (the "Amending Agreement"), the Association agreed to provide additional financial assistance in support of the Project to support the relief, reconstruction and rehabilitation of communities affected by the earthquake which occurred in the Borrower's territory on October 8, 2005 (the "Emergency"), by: (i) increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to sixty eight million nine hundred thousand Special Drawing Rights (SDR 68,900,000); and (ii) reallocating an amount in various currencies equivalent to three million five hundred thirty thousand Special Drawing Rights (SDR 3,530,000) to activities responding to the Emergency;

(D) WHEREAS the Borrower has requested the Association to provide additional financial assistance in support of the relief, reconstruction and rehabilitation of communities affected by the Emergency, by increasing the amount made available under the Development Credit Agreement and the Amending Agreement by an amount in various currencies equivalent to ninety one million eight hundred thousand Special Drawing Rights (SDR 91,800,000); and

(E) WHEREAS the Association has agreed, on the basis, among other things, of the foregoing to extend such additional financial assistance to the Borrower upon the terms and conditions set forth in this Second Amending Agreement;

NOW THEREFORE the parties agree as follows:

## **ARTICLE I**

### **General Conditions; Definitions**

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the “General Conditions”) constitute an integral part of this Second Amending Agreement.

Section 1.02. Unless the context otherwise requires and except where otherwise defined in this Second Amending Agreement, all capitalized terms contained herein shall have the meanings given to them in the Development Credit Agreement, the Amending Agreement, the Preamble to this Second Amending Agreement, or in the General Conditions as the case requires.

## **ARTICLE II**

### **Amending Provisions**

Section 2.01. Section 1.02 of the Development Credit Agreement is amended by deleting the word “and” at the end of Sub-section (za), by replacing the full stop at the end of Sub-section (zb) with a semi-colon and by inserting the following new definition:

“(zc)“Second Amending Agreement” means this Second Agreement Amending the Development Credit Agreement (Second Poverty Alleviation Fund Project between the Borrower and the Association dated ; 2007.”

Section 2.02. Section 2.01 of the Development Credit Agreement is amended to read as follows:

“Section 2.01. The Association agrees to make available to the Borrower, on the terms and subject to the conditions set out, or referred to, in the Development Credit Agreement, an amount in various currencies equivalent to three hundred twenty eight million eight hundred thousand Special Drawing Rights (SDR 328,800,000) (the “Credit”) which consists of: (a) an initial amount in various currencies equivalent to one hundred sixty-eight million one hundred thousand Special Drawing Rights (SDR 168,100,000) (the “Initial Credit”); (b) an additional amount in various currencies equivalent to sixty eight million nine hundred thousand Special Drawing Rights (SDR 68,900,000) (the “Additional Credit”); and (c) a second additional amount in various currencies equivalent to ninety one million eight hundred thousand Special Drawing Rights (SDR 91,800,000) (the “Second Additional Credit”);”

Section 2.03. A second proviso is added at the end of Section 2.04(b)(i) of the Development Credit Agreement reading as follows:

“; provided however that the commitment charge on the Second Additional Credit shall accrue from a date sixty (60) days after the date of the signing of the Second Amending Agreement.”

Section 2.04. A new Sub-Section (f) is added to Section 2.07 of the Development Credit Agreement reading as follows:

“(f) Subject to paragraphs (b), (c) and (d) above, the Borrower shall repay the principal amount of the Second Additional Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 2017 and ending February 1, 2042. Each installment to and including the installment payable on February 1, 2027, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one half percent (2-1/2%) of such principal amount.”

Section 2.05. The table in paragraph A.1 of Schedule 1 to the Development Credit Agreement (Withdrawal of the Proceeds of the Credit), is amended to read as set forth in the Annex to this Second Amending Agreement.

Section 2.06. A new paragraph is added to Schedule 1.A reading as follows:

“8. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of the Second Amending Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of twenty-five million United States dollars \$25,000,000 may be made in respect of Categories (9), (10) and (11) on account of payments made for expenditures before that date but after August 1, 2006.

Section 2.07. Except as expressly provided in this Second Amending Agreement, all other provisions of the Development Credit Agreement shall remain in full force and effect.

### **ARTICLE III**

#### **Effective Date; Termination**

Section 3.01. This Second Amending Agreement shall not become effective until a legal opinion or opinions satisfactory to the Association, showing that: (i) this

Second Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and is legally binding upon the Borrower in accordance with its terms, has been received by the Association; and (ii) the Second Agreement Amending the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of PPAF and is legally binding upon PPAF in accordance with its terms, has been received by the Association.

Section 3.02. This Second Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required pursuant to Section 3.01 of this Second Amending Agreement.

Section 3.03. The date ninety (90) days after the date of this Second Amending Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions. If this Second Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Second Amending Agreement had not been executed.

#### **ARTICLE IV**

##### **Representatives of the Borrower; Addresses**

Section 4.01. The Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of that Division is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Affairs Division  
Islamabad  
Pakistan

Cable address:

Telex:

Facsimile:

ECONOMIC Islamabad	ECDIV-05-634	92 51 9205971 92 51 9218976
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For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Akram Malik

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yusupha B. Crookes

Authorized Representative

**Annex**

### **SCHEDULE 1**

#### **Withdrawal of the Proceeds of the Credit**

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit (including the Initial Credit, the Additional Credit and the Second

Additional Credit), the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in such Category:

<u>Category</u>	<u>Amount of the Initial Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Additional Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Second Additional Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Sub-loans provided:				100% of amounts disbursed by PPAF
(a) other than through EDF	92,670,00			
(b) through EDF	1,470,000			
(2) Grant for:				100% of amounts disbursed by PPAF
(a) SSIPs	35,860,000			
(b) SSDPs	3,530,000			
(3) Civil works	1,260,000			90%
(4) Equipment and vehicles for:				100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(a) PPAF	490,000			



<u>Category</u>	Amount of the Initial Credit Allocated (Expressed in <u>SDR</u> <u>Equivalent</u> )	Amount of the Additional Credit Allocated (Expressed in <u>SDR</u> <u>Equivalent</u> )	Amount of the Second Additional Credit Allocated (Expressed in <u>SDR Equivalent</u> )	% of Expenditures <u>to be Financed</u>
(b) POs	3,460,00 0			

<u>Category</u>	<u>Amount of the Initial Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Additional Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Second Additional Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Consultants' and external services for PPAF	2,340,000			88% of expenditures for foreign firms or individuals and 98% of expenditures for local firms or individuals
(6) Training for:				100%
(a) PPAF	490,00			
(b) POs	0			
(c) Beneficiaries	1,910,000			
	3,960,000			
(7) Incremental Operating Costs for:				
(a) PPAF	1,450,000			65% of expenditures for Year 1 of the Project, 55% of expenditures for Year 2 of the Project, 45% of expenditures for Year 3 of the Project, and 0% of expenditures for Year 4 of the Project

<u>Category</u>	<u>Amount of the Initial Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Additional Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Second Additional Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(b) POs	14,270,000			100% of amounts disbursed by PPAF to finance, on a declining basis, such percentage of each PO's operating costs as shall be determined by PPAF, based on the PO's business plan
(8) Unallocated	1,410,000			
Activities Under Part C of the Project:				
(9) Grants under Part C.3; Equipment and vehicles for PO		10,334,849	16,620,000	100%
(10) Grants for Disaster Recovery	3,530,000			100%
(11) Cash Grants		58,565,151	75,180,000	100%
TOTAL	<u>168,100,000</u>	<u>68,900,000</u>	<u>91,800,000</u>	

<u>Category</u>	Amount of the Initial Credit Allocated (Expressed in <u>SDR</u> <u>Equivalent</u> )	Amount of the Additional Credit Allocated (Expressed in <u>SDR</u> <u>Equivalent</u> )	Amount of the Second Additional Credit Allocated (Expressed in <u>SDR Equivalent</u> )	% of Expenditures <u>to be Financed</u>
	<u>00</u>			