
CREDIT NUMBER 6548-PK

Financing Agreement

(Punjab Human Capital Investment Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the ISLAMIC REPUBLIC OF PAKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to twenty-one billion seven hundred thirteen million and one hundred thousand Japanese Yen (JPY 21,713,100,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.

- 2.05. The Interest Charge is the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.
- 2.06. The Payment Dates are January 1 and July 1 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Japanese Yen.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement, and the Project Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that the PSPA Act 2015 has been amended, suspended, abrogated, repealed or waived, whether in whole or part, so as to materially and adversely affect PSPA's capacity to oversee Project implementation and carry out its Respective Parts of the Project.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.02. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Recipient's Economic Affairs Division.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Economic Affairs Division
Islamabad
Pakistan; and

(b) the Recipient's Electronic Address is:

Facsimile: E-mail:
+92-51-910-4016 Secretary@ead.gov.pk

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex: Facsimile: E-mail:
248423 (MCI) 1-202-477-6391 CMUPakistan@worldbank.org

AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF PAKISTAN

By



Authorized Representative

Name: Mr. Noor Ahmed

Title: Secretary

Date: 18-May-2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Patchamuthu Illangovan

Title: Country Director

Date: 14-Apr-2020

SCHEDULE 1

Project Description

The objective of the Project is to increase the utilization of quality health services, and economic and social inclusion programs among poor and vulnerable households in the Select Districts in Punjab.

The Project consists of the following parts:

Part 1: Health Services Quality and Utilization

- 1.1. *Quality of Health Services:* (a) Strengthening the primary health-care facilities in the provision of good quality services and their adherence to Minimum Service Delivery Standards (“MSDS”) by: (i) upgrading of selected basic health units (“BHUs”) in Select Districts to provide uninterrupted (“24/7”) services all days of the week, including provision of essential equipment, medicines and supplies; and (ii) upgrading of selected rural health centers in the Selected Districts to provide neonatal intensive care on a pilot basis; (b) hiring/recruiting and/or training healthcare personnel, including pediatricians, medical officers, lady health workers and lady health visitors; (c) providing nutrition services through outdoor therapeutic program counters; (d) providing population welfare services in close coordination with the department responsible for population welfare; and (e) upgrading/scaling-up the electronic medical records system for, and implementing the Environmental and Health Care Waste Management Plan (“EHCWMP”) in, health facilities in the Select Districts.

- 1.2. *Utilization of Health Services:* Increasing the utilization of key health services among poor and vulnerable households, as identified through the NSER, in the Select Districts, through: (a) implementing a conditional cash transfer program and providing Conditional Cash Grants (“CCGs”) to eligible pregnant or lactating women and/or parents of children up to 2 years of age (“Eligible CCG Beneficiaries”); and (b) carrying out outreach, social mobilization and information dissemination campaigns among health service beneficiaries.

Part 2: Economic and Social Inclusion

- 2.1. *Economic Inclusion:* Promoting the economic inclusion of poor and vulnerable eligible young parents through the provision of technical assistance, goods and training, including and not limited to provide: (a) labor market readiness training; (b) Livelihood Support Grants (“LSGs”) or the Productive Assets; and (c) intensive

coaching aimed at improving adaptive productive behavior to help increase resilience of households of the Eligible Young Parents.

- 2.2. *Social Inclusion for Education:* Strengthening the selected education programs/ initiatives through: (a) conducting an initial needs assessment; (b) filling the gaps in learning through training of school-related staff; (c) developing detailed lessons; (d) conducting specialized early childhood education social mobilization campaign; (e) upgrading classroom facilities to be conducive to learning; and (f) establishing and building capacity for a special foundational learning cell in the SED.

Part 3: Efficiency and Sustainability through Social Protection Services Delivery Systems and Project Management

Modernizing and improving coordination and interoperability of Punjab's social protection systems and programs by strengthening the administrative, operational, policy and planning functions and capabilities of PSPA, including the development of IT systems and technical assistance for: (a) enhancing procurement, financial management, human resources, auditing and monitoring and evaluation functions; as well as: (b) upgrading and/or customizing their systems for identifying and mobilizing program beneficiaries, defraying benefits and/or rendering welfare services/program, and redressing grievances.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-Lending Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under the same terms and conditions as shall have been received from the Association and in accordance with the provision of this Agreement and the Recipient's on-lending policies and budgetary procedures.
2. Notwithstanding paragraph one (1) above, in the event that any of the provisions of this Agreement, including such additional instructions as the Association shall have specified in the Disbursement and Financial Information Letter, and/or under Section 2.01(b) of the General Conditions, were inconsistent with the on-lending policies and budgetary procedures of the Recipient, the provisions of this Agreement and related instructions shall govern.
3. The Recipient shall exercise its rights under on-lending arrangements referred to in paragraph 1 of this Section above in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall cause the Project Implementing Entity to furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; in the amount allocated; and (b) if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Financing Allocated (expressed in JPY)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Incremental Operating Costs and Training and Workshops for Part 1.1 of the Project	4,885,447,500	100%
(2) Conditional Cash Grants, Livelihood Support Grants, and Productive Assets for Parts 1.2(a), 2.1(b) of the Project	7,599,585,000	100%
(3) Goods, works, non-consulting services, consulting services, Incremental Operating Costs and Training and Workshops for Parts 1.2(b), 2.1(a) and (c) and 3 of the Project	5,428,275,000	100%
(4) Goods, works, non-consulting services, consulting services, Incremental Operating Costs and Training and Workshops for Part 2.2 of the Project	3,799,792,500	100%
TOTAL AMOUNT	21,713,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is June 30, 2025.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 1 and July 1:	
commencing July 1, 2025 to and including January 1, 2045	1.65%
commencing July 1, 2045 to and including January 1, 2050	3.40%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Basis Adjustment to the Interest Charge” means the Association’s standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
3. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “Conditional Cash Grants” and the acronym “CCGs” mean cash grants provided conditional upon the verification of requirements as stated in the Operations Manual.
6. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impact on the livelihoods of such persons.
7. “Eligible CCG Beneficiary” means a pregnant or lactating woman, or a parent of children up to 2 years of age from poor and vulnerable households as identified through the NSER.

8. “Eligible Young Parent” means a parent whose age is between 18 and 29 with children up to 5 years of age from poor and vulnerable households as identified through the NSER.
9. “Environmental and Health Care Waste Management Plan” and the acronym “EHCWMP” mean the health care waste management plan prepared and adopted by the Project Implementing Entity as part of ESMF.
10. “ESMF” mean the environmental and social management framework prepared and adopted by the Project Implementing Entity, and disclosed on the Association’s website on December 11, 2019, setting forth the guiding principles, acceptable standards and procedures (including organizational arrangements, consultation protocols and budgetary allocations) for: (a) the screening and assessment of the potential adverse environmental and social impacts (*inter alia*, health and safety issues) of Project activities; and (b) the preparation, whenever required, of the relevant ESMP(s), as such framework may be amended from time to time with the prior written concurrence of the Association.
11. “ESMP” means each activity-specific environmental and social management plan prepared, or to be prepared, by the Implementing Agencies pursuant to the provisions of the ESMF, and disclosed, or to be disclosed, on the respective Project sites, setting forth the measures to be taken during the implementation and operation of the relevant activities/assets financed under the Project in order to avoid, minimize, mitigate or offset their potential adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels, together with adequate budget, institutional, monitoring and reporting arrangements capable of ensuring proper implementation thereof, and regular feedback on compliance with its terms, as such plan may be amended from time to time with the prior written concurrence of the Association.
12. “General Conditions” means the “*International Development Association General Conditions for IDA Financing, Investment Project Financing*”, dated December 14, 2018.
13. “Implementing Agencies” means, collectively, the PSPA, PSHD and SED, and the term “Implementing Agency” means each one of such agencies, individually, as the case may be.
14. “Incremental Operating Costs” means the reasonable costs of incremental expenditures required for the Project and incurred by the Project Implementing Entity for day-to-day coordination, administration and supervision of Project activities, including consumable materials and supplies, office rental, utility fees,

insurance, communications, advertising and newspaper subscriptions, printing and stationary, operation and maintenance of office equipment and vehicles, charges for opening and operating bank accounts, travel costs, boarding/lodging and per-diems - as per the Recipient's and the Project Implementing Entity's policies - and salaries of contractual staff (other than consultants) required for Project management, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient's or the Project Implementing Entity's civil service.

15. "IT" means information technology.
16. "Livelihood Support Grants" and the acronym "LSGs" mean the livelihood support for economic inclusion of the Eligible Young Parents in accordance with the procedures set forth in the Operations Manual.
17. "Minimum Service Delivery Standards" and the acronym "MSDS" mean the service delivery standards for primary health care defined by Punjab Healthcare Commission, approved by the Health Department of Punjab (through Notification No. S.O. (PH) 9-176/2014 (PSPU)) on July 18, 2014, mandating all healthcare service providers to abide by.
18. "NSER" means the Recipient's National Socio-Economic Registry.
19. "Operations Manual" means the manual dated January 17, 2020, prepared by the Project Implementing Entity, through PSPA, and approved by the chairman of the Planning and Development Board, as the same may be amended from time to time with the prior concurrence of the Association.
20. "PHFMC" means Punjab Health Facilities Management Company, a not-for-profit company under the administrative control of PSHD, and established under Section 42 of the Recipient's Companies Ordinance, 1984 (Companies Act of 2017), or any successor thereto.
21. "Planning and Development Board" means the Board as specified in the Punjab Rules of Business 2011.
22. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.

23. “Productive Asset” means a merchandise, tool, livestock or any other goods used for any productive enterprise activities under Part 2.1 of the Project.
24. “Project Coordination Committee” means the committee to be established pursuant to Section I.A.2(b) of the Schedule to the Project Agreement.
25. “Project Implementing Entity” or “Punjab” means the Recipient’s Province of Punjab.
26. “Project Information Management System” means the information management system for Parts 1 and 2 of the Project, containing beneficiaries’ information according to the criteria set out in the Operations Manual.
27. “Project Steering Committee” means the committee to be established pursuant to Section I.A.2(a) of the Schedule to the Project Agreement.
28. “PSHD” means Punjab’s Primary and Secondary Health Care Department, or any successor thereto.
29. “PSPA” means the Punjab Social Protection Authority, established by the Project Implementing Entity pursuant to Section 3.(1) of the PSPA Act 2015, or any successor thereto.
30. “PSPA-PMIU” mean the implementation unit established/maintained by the Implementing Agencies pursuant to Section I.A.2(c) of Schedule to the Project Agreement.
31. “PSPA Act 2015” means the Project Implementing Entity’s Punjab Social Protection Authority Act 2015 (Act XXII of 2015) of April 14, 2015.
32. “Punjab” means the Recipient’s Province of Punjab (the “Project Implementing Entity”).
33. “Punjab Healthcare Commission” means an autonomous health regulatory body established by the Project Implementing Entity, pursuant to PHC Act 2010, or any successor thereto.
34. “Respective Parts of the Project” means:
 - (a) in respect of PSHD: Part 1.1 of the Project;

- (b) in respect of PSPA: Parts 1.2, 2.1 and 3 of the Project; and
 - (c) in respect of SED, Part 2.2 of the Project.
35. “Safeguard Documents” means, collectively, the ESMF, the ESMP(s) and the EHCWMP.
 36. “SED” means Punjab’s School Education Department, or any successor thereto.
 37. “SED-PMIU” mean the implementation unit established/maintained by the Implementing Agencies pursuant to Section I.A.2(e) of Schedule to the Project Agreement.
 38. “Select Districts” means the Punjab’s districts of Muzaffargarh, Bahawalpur, Rajanpur, D.G. Khan, Rahim Yar Khan, Bhakkar, Mianwali, Bahawalnagar, Lodhran, Layyah, Khushab, and any other district that the Punjab, Recipient and the Association may agree, or any successors thereto.
 39. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
 40. “Training and Workshops” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient, or, subject to prior approval by the Association, attended abroad by the Project Implementing Entity’s officials and staff in connection with the Project, including the purchase and publication of materials, rental of facilities, course fees and travel and subsistence.