
LOAN NUMBER 9155-PK

Loan Agreement

(Resilient Institutions for Sustainable Economy Development Policy Loan)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF PAKISTAN (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore 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 — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of two hundred fifty million United States Dollars (USD250,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Borrower shall reasonably request; and
 - (c) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 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 thirty (30) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 9.05 (b) of the General Conditions, the date on which the obligations of the Borrower under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Ministry of Economic Affairs
Block C, Pakistan Secretariat
Islamabad
Pakistan; and

(b) the Borrower's Electronic Address is:

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

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Facsimile: E-mail:
1-202-477-6391 CMUPakistan@worldbank.org

AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF PAKISTAN

By



Authorized Representative

Mr. Noor Ahmed

Name: _____

Title: Secretary _____

22-Jul-2020

Date: _____

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Patchamuth Illangovan

Name: _____

Title: Country Director _____

Date: 20-Jul-2020 _____

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions Taken Under the Program

The actions taken by the Borrower under the Program include the following:

1. The Finance Division has: (a) assigned fiscal coordination responsibilities to the National Finance Commission Monitoring Committee, which comprises federal and provincial finance ministers, based on the decision of the Council of Common Interests; and (b) established the Macro-Fiscal Policy Unit to be responsible for developing the medium-term fiscal and budget framework and fiscal risk management.
2. The Finance Division has: (a) transferred domestic and external debt management and issuance of guarantees to the Debt Policy Coordination Office; (b) mandated the publication of a medium-term debt management strategy; (c) mandated the semi-annual publication of a debt bulletin; and (d) required the issuance of sovereign guarantees for all SOEs to be contingent upon publication of previous year's audited financial statements and submission of a detailed plan to achieve financial stability.
3. The Federal Board of Revenue has: (a) increased the immovable property valuation to eighty-five (85) percent of the market value for withholding income tax and capital gains tax; (b) reduced the personal income tax thresholds; and (c) removed the special treatment on general sales tax for five (5) sectors.
4. The Cabinet has approved the Circular Debt Management Plan, which includes policy measures to minimize the flow, gradually eliminate the stock of circular debt, and improve DISCO efficiency; and the Finance Division has issued a notification to transfer the PHPL debt to the public debt stock.
5. The Council of Common Interests has approved the Renewable Energy Policy, which includes the adoption of competitive bidding as the main procurement method.
6. The National Finance Commission Monitoring Committee has approved a general sales tax harmonization framework with common taxation principles, harmonized definitions of goods and services, common place of supply rules, and a single rate.
7. The Federal Board of Revenue has notified the Benami Transaction (Prohibition) Rules of 2019, mandating all commercial banks to conduct biometric verification of all bank account holders, as instructed by the State Bank of Pakistan.

8. The State Bank of Pakistan has: (a) issued regulations for Electronic Money Institutions, enabling non-bank institutions to issue electronic money; and (b) granted five (5) licenses to Electronic Money Institutions.
9. The Cabinet has adopted the National Tariff Policy, transferring responsibility for trade tariff setting to the Ministry of Commerce and simplifying and rationalizing the tariff structure.

Section II. Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan (except for amounts required to pay the Front-end Fee) is allocated in single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in USD)
(1) Single Withdrawal Tranche	249,375,000
(2) Front-end Fee	625,000
TOTAL AMOUNT	250,000,000

- C. Withdrawal Tranche Release Conditions.**
 1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.
- D. Deposit of Loan Amounts.**
 1. The Recipient, within thirty (30) days after the withdrawal of each of the First Withdrawal Tranche and Second Withdrawal Tranche from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Pakistani Rupee equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.
- E. Closing Date.** The Closing Date is May 31, 2021.

SCHEDULE 2
Customized Amortization Repayment Schedule

The Borrower shall repay the principal amount of the Loan as follows:

Principal Payment Date	Installment Share
January 15, 2026	0.50%
July 15, 2026	0.50%
January 15, 2027	1.50%
July 15, 2027	1.75%
January 15, 2028	2.00%
July 15, 2028	2.00%
January 15, 2029	1.00%
July 15, 2029	1.00%
January 15, 2030	1.00%
July 15, 2030	1.00%
January 15, 2031	1.00%
July 15, 2031	1.00%
January 15, 2032	1.00%
July 15, 2032	1.00%
January 15, 2033	1.00%
July 15, 2033	3.00%
January 15, 2034	3.00%
July 15, 2034	3.00%
January 15, 2035	2.00%
July 15, 2035	2.00%
January 15, 2036	1.00%
July 15, 2036	1.00%
January 15, 2037	1.00%
July 15, 2037	1.00%
January 15, 2038	2.25%
July 15, 2038	4.00%
January 15, 2039	4.00%
July 15, 2039	5.00%
January 15, 2040	5.00%
July 15, 2040	5.00%
January 15, 2041	4.00%
July 15, 2041	4.00%
January 15, 2042	4.00%
July 15, 2042	4.00%
January 15, 2043	4.00%
July 15, 2043	4.00%
January 15, 2044	4.00%

July 15, 2044	8.00%
January 15, 2045	4.48%
July 15, 2045	0.02%

APPENDIX

Section I. Definitions

1. “Benami Transactions (Prohibition) Act of 2017” means the Borrower’s act that prohibits *benami* transactions (transactions or arrangements of a property made in fictitious name or a transaction or arrangement of a property where the owner is not aware or denies knowledge of such ownership).
2. “Benami Transactions (Prohibition) Rules of 2019” means the Borrower’s rules derived from section 61 of the Benami Transactions (Prohibition) Act of 2017, issued on March 11, 2019.
3. “Cabinet” means the Borrower’s cabinet, consisting of the Borrower’s Prime Minister and federal ministers, and established pursuant to Article 91C of the Recipient’s Constitution, or any successor thereto.
4. “Council of Common Interests” means the Borrower’s council established and operating pursuant to Article 153 of the Recipient’s 1973 Constitution, as amended, to resolve disputes emerging from the power sharing between the federal and provincial governments, or any successor thereto.
5. “Circular Debt Management Plan” means the Borrower’s plan to reduce circular debt.
6. “Debt Policy Coordination Office” means the Borrower’s office under the Ministry of Finance, responsible for debt policy coordination, or any successor thereto.
7. “DISCO” means electricity distribution companies.
8. “Electronic Money Institutions” means non-banking entities duly authorized to issue means of payments in the form of electronic money.
9. “Federal Board of Revenue” means the Borrower’s federal board, responsible for revenue, or any successor thereto.
10. “Finance Division” means the Borrower’s division under the Ministry of Finance, responsible for finance, or any successor thereto.
11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018.
12. “Macro-Fiscal Policy Unit” means the Borrower’s unit responsible for macro-fiscal policy, or any successor thereto.

13. “Ministry of Commerce” means the Borrower’s ministry responsible for commerce, or any successor thereto.
14. “Ministry of Finance” means the Borrower’s ministry responsible for finance, or any successor thereto.
15. “National Finance Commission” means the Borrower’s commission established and operating pursuant to Article 160 of the Recipient’s 1973 Constitution, as amended, to make recommendations on the distribution of resources between the federal and provincial governments to the Borrower’s President, or any successor thereto.
16. “National Finance Commission Monitoring Committee” means the Recipient’s monitoring committee under the National Finance Commission, or any successor thereto.
17. “National Tariff Policy” means the Borrower’s policy that aims to transfer responsibility for trade tariff setting to the Ministry of Commerce and simplify and rationalize the tariff structure.
18. “PHPL” or “Power Holding Private Limited” means the Recipient’s power company, or any successor thereto.
19. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated June 11, 2020 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
20. “Renewable Energy Policy” means the Borrower’s renewable energy policy approved by the Council of Common Interests on December 23, 2019.
21. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
22. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
23. “SOEs” means, collectively, state-owned enterprises.
24. “State Bank of Pakistan” means the Borrower’s central bank, or any successor thereto.