
CREDIT NUMBER 7380-PK

Financing Agreement

(Khyber Pakhtunkhwa Citizen-Centered Service Delivery Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 7380-PK

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between 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 the amount of six billion four hundred thirty-nine million four hundred thousand Yen (¥ 6,439,400,000) (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plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.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percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.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 February15 and August15 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 Yen.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall, under the overall coordination of Ministry of Economic Affairs:
 - (a) carry out Part 1 of the Project through MEA with the assistance of:
 - (i) Department of Health for the delivery of the Child Wellness Services associated with the Child Wellness Grants; and
 - (ii) Payment Agents for the disbursement of the Child Wellness Grants and the Project Implementing Entity for the verification of eligibility and related technical aspects of the Child Wellness Grants; and
 - (b) cause Part 2 of 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, all under the terms further set forth in the Implementation Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely that, failure to comply with the provision of the Implementation Agreement by the Recipient or the Project Implementing Entity or their amendment/suspension/waiver of the Implementation Agreement to materially and adversely affect the ability of the Recipient and/or the Project Implementing Entity to perform their respective obligations under this Agreement or the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that, any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V— EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following:
- (a) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
 - (b) A memorandum of understanding between MEA and BISP has been executed to agree on the complementarities of the Nashonuma Program and the Child Wellness Grant and mechanisms to avoid duplication or overlapping coverage.
 - (c) The Project Operations Manual has been revised to incorporate the personal data protection, satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. 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 Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Ministry of Economic Affairs.
- 6.02. For purposes of Section 11.01 of the General Conditions:
- (a) the Recipient’s address is:

Ministry of Economic Affairs,
Block C, Pakistan Secretariat,
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

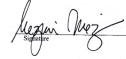
(b) the Association's Electronic Address is:

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
Kazim Niaz
Name: _____
Secretary Ministry of Economic Affairs
Title: _____
19-Jul-2023
Date: _____

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative
Najy Benhassine
Name: _____
Country Director
Title: _____
13-Jul-2023
Date: _____

SCHEDULE 1

Project Description

The objectives of the Project are to promote access to child health services and enhance citizen-centered service delivery in selected districts of Khyber Pakhtunkhwa Province.

The Project consists of the following parts:

Part 1: Promoting Access to Child Health Services

- (a) Providing child health services, including, child health awareness and counseling, screening of children for malnutrition using growth monitoring, immunization services, and referral of complicated cases to pre-identified stabilization centers and pediatricians, to mothers with children aged 0-24 months in selected districts of KP; and
- (b) Providing the Child Wellness Grant to a family member against attendance of health awareness sessions and growth monitoring of the children.

Part 2: Enhanced Citizen-Centered Service Delivery and Program Management

- (a) providing technical assistance for enhancing program management, transparency, and accountability at the federal, provincial and local level administration through capacity building, stakeholder consultation, social mobilization, strategic communication and awareness, and monitoring;
- (b) establishment of a citizen facilitation center for providing various public services, including, Vital Registration Services and e-Sahulat, an ecommerce and payment services platform; and
- (c) strengthening program management and oversight.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall: (a) take all actions, including ensuring the provision of funds, facilities, services, and other resources, necessary or appropriate for the carrying out of the Project by the Project Implementing Entity; and (b) ensure that the Project is completed in a manner consistent with the requirements of this Agreement, irrespective of the sources of the financing.
2. The Recipient shall maintain within MEA throughout the period of implementation of the Project, a Project Management Unit, responsible for the carrying out of the technical coordination and day-to-day implementation of the Project, which unit shall be provided with qualified and experienced staff, in sufficient numbers and under terms of reference satisfactory to the Association, as well as the necessary resources, powers and functions to comply with the Project's fiduciary and environmental and social requirements, in particular those related to the payment of Child Wellness Grants.
3. The Recipient shall ensure to maintain a Project Steering Committee, comprised of senior representatives of key stakeholders including Ministry of Economic Affairs, Ministry of Finance, the Project Implementing Entity and the relevant departments of KP, as identified from time to time which will provide overall operational oversight and decision-making support in terms of key project outcomes and deliverables, in adequate numbers and under terms of reference satisfactory to the Association, vested with the responsibility of: (i) coordinating various agencies involved in the Project; (ii) ensuring cooperation of these agencies in executing Project activities; and (iii) ensuring reforms related to the Project are adopted and implemented by the government departments involved.
4. The Recipient shall, and shall cause the Project Implementing Entity to:
 - (a) promptly furnish to the Association for its review, the revised Project Operations Manual, as needed from time to time, in a manner and substance satisfactory to the Association, setting out detailed arrangements and procedures for implementation of the Project including, *inter alia*:
 - (i) implementation arrangements including delineation of role and responsibility of various departments, entities, institutions and agencies involved in Project implementation and their coordination;

- (ii) the procurement procedures and standard procurement documentation;
 - (iii) disbursement arrangements, financial management procedures and audit procedures;
 - (iv) Personal Data collection/processing, including procedures and processes for the purposes of Section 1.A.8, Schedule 2 of this Agreement;
 - (v) annual work plan and budget preparation and review procedures;
 - (vi) the Project performance indicators and monitoring and evaluation arrangements;
 - (vii) arrangement and procedures for environment and social safeguard management including social monitoring and gender strategy;
 - (viii) public awareness and communication arrangements; and
 - (ix) administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; and
- (b) implement the Project in accordance with the Project Operations Manual.
5. The Recipient shall not and shall ensure that the Project Implementing Entity does not, amend, abrogate, or suspend, or permit to be amended, abrogated or suspended any provision of the Project Operations Manual without the prior written agreement of the Association.
6. Notwithstanding the foregoing, if any provision of the Project Operations Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail. Subject to the prior written agreement of the Association, the Recipient shall, and shall cause the Project Implementing Entity to update the Project Operations Manual, as necessary, at all times ensuring compliance thereof with the terms of this Agreement.
7. To manage the transition of the operation of the CFC, the Recipient, through MEA, shall:
- (a) no later than nine (9) months from the Effective Date, ensure that the Phased Timebound Transition Plan, as acceptable to the Association, is executed between MEA and the government of KP; and

(b) thereafter, carry out the Phased Timebound Transition Plan in a timely manner.

8. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the collection, use and processing (including transfers to third parties) of any Personal Data collected under the Project shall be done in accordance with the national law and the best international practice, and ensure legitimate, appropriate, and proportionate treatment of such data.

B. Subsidiary Agreement.

1. To facilitate the carrying out of the Project Implementing Entity's Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity on a grant basis and in accordance with the provision of this Agreement and the Recipient's on-lending and on-granting policies and budgetary procedures.
2. Notwithstanding paragraph one (1) above, in the event that any of the provisions of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to **Section IV.A.1** of this Schedule, are inconsistent with the budgetary procedures of the Recipient, the provisions of this Agreement shall prevail.
3. The Recipient shall exercise its rights under on-granting arrangements referred to in paragraph one (1) of this Section above in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive its rights under such arrangements.

C. Environmental and Social Standards

1. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;

- (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
- 3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- 4. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 5. The Recipient shall, and shall cause the Project Implementing Entity to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
- 6. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation

and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall 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. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 to this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

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 finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Credit Allocated (expressed in JPY)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Goods, works, non-consulting services, Incremental Operating Costs, Training, and consulting services for Part 2 of the Project	1,259,900,000	100%
(2) Child Wellness Grant	5,179,500,000	100% of amounts disbursed
TOTAL AMOUNT	6,439,400,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed ¥ 251,980,000 for Eligible Expenditures for

Category (1) and ¥ 1,035,900,000 for Eligible Expenditures for Category (2) may be made for payments made prior to this date but on or after February 22, 2023.

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 February 15 and August 15:	
commencing August 15, 2028, to and including February 15, 2048	1.65%
commencing August 15, 2048, to and including February 15, 2053_____	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 as a percentage per annum.
4. “BISP” means the Benazir Income Support Programme, an autonomous statutory authority responsible for the implementation of the Recipient’s cash transfer programs, established pursuant to the BISP Law, or any successor thereto.
5. “BISP Law” means the Recipient’s Benazir Income Support Programme Act 2010.
6. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
7. “Co-financier” means KP/FATA/Balochistan Multi-Donor Trust Fund.
8. “Co-financing” means, for purposes of paragraph 14 of the Appendix to the General Conditions, an amount of four million United States Dollars (USD 4,000,000), to be provided by the Co-financier to assist in financing the Project.
9. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
10. “CFC” means a citizen facilitation center, established for provisions of all services under the Project
11. “Child Wellness Grant” or “CWG” means a cash transfer to be made to Eligible Beneficiaries upon completion of the Child Wellness Services requirements set forth in the Project Operations Manual, in order to promote the uptake of selected

child health services offered to both TDP and non-TDP families with children aged 0–2 years.

12. “Department of Health” or “DoH” means the Department of Health of KP, or any successor thereto.
13. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated June 5, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
14. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
15. “e-Sahulat” means ecommerce platform of the Project Implementing Entity that provides various services.
16. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
17. “Incremental Operating Costs” means the reasonable costs of incremental expenditures required for the Project and incurred by the Recipient 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 stationery, operation and maintenance of office equipment and vehicles, charges for opening and operating bank accounts, in-country travel costs, boarding/lodging and per-diem for Project staff, 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 and Project Implementing entity's civil service, except for salaries and/or salary supplements/incentives of members of the Recipient's or the Project Implementing Entity's civil service formally engaged/deputed to the Project to assist in carrying out the Project activities in accordance with the applicable Recipient's policies during the period of such deputation.

18. "Khyber Pakhtunkhwa Province" or "KP" means the Recipient's Province of Khyber Pakhtunkhwa.
19. "Ministry of Economic Affairs" or "MEA" means the Ministry of Economic Affairs of the Recipient, or any successor thereto.
20. "Nashonuma Program" means a conditional cash transfer program initiated by BISP.
21. "Phased Timebound Transition Plan" means the plan with a semi-annual targets of transitional management responsibility of the CFCs by the government of KP prior to the Closing Date, and financial commitment of the allocation of its budgetary resources to run the CFCs after the Closing Date.
22. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated November 2020.
23. "Project Implementing Entity" means the Recipient's National Database and Registration Authority (NADRA), a body corporate established through the National Database and Registration Authority Ordinance, 2000 or any successor thereto.
24. "Project Agreement" means the agreement to be entered into between the Association and the Project Implementing Entity.
25. "Project Management Unit" means the unit to be established under Section I.A.2 of the Schedule 2 to this Agreement.
26. "Project Operations Manual" means the manual referred in Section I.A.4 through 6 of Schedule 2 to this Agreement and the Section I.A.1 through 3 of Schedule to the Project Agreement, as the same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Operations Manual.
27. "Project Steering Committee" means the committee established by MEA on December 18, 2015 (TDP-ERP/01/15), and referred to in Section I.A.3 of Schedule 2 to this Agreement.

28. “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.
29. “Training” means the costs of training activities under the Project, including seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation, all based on annual work plans and budgets approved by the Association.
30. “Vital Registration Services” means all life event registration services as provided by the Project Implementing Entity, including birth, death and marital status.