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**CREDIT NUMBER 6714-PK  
GRANT NUMBER D680-PK**

# **Financing Agreement**

**(Khyber Pakhtunkhwa Human Capital Investment Project)**

**between**

**ISLAMIC REPUBLIC OF PAKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT NUMBER 6714-PK**  
**GRANT NUMBER D680-PK**

## **FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF PAKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of assisting in financing the project described in Schedule 1 to this Agreement (“Project”). The Association has decided to provide this financing on the basis, among other things, of the existence of an adequate refugee protection framework. 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 grant and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, “Financing”) in the following amounts to assist in financing the Project:
  - (a) an amount equivalent to forty-five million eight hundred thousand Special Drawing Rights (SDR 45,800,000) (“Grant”); and
  - (b) an amount equivalent to one hundred million seven hundred thousand Special Drawing Rights (SDR 100,700,000) (“Credit”).
- 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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.
- 2.06. The Payment Dates are March 1 and September 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 Dollar.

### **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 Recipient no longer has an adequate refugee protection framework.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in paragraph (a) of 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 Additional Condition of Effectiveness consists of the following:
  - (a) the Association is satisfied that the Recipient has an adequate refugee protection framework.
  - (b) the Project Agreement has been duly executed and delivered and all conditions precedent to its effectiveness, other than the effectiveness of this Agreement, have been fulfilled.

- 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 the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Recipient's 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  
Government of Pakistan Islamabad  
Pakistan; and

(b) the Recipient's Electronic Address is:

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

Facsimile:                    E-mail:  
1-202-477-6391            [CMUPakistan@worldbank.org](mailto:CMUPakistan@worldbank.org)

AGREED as of the Signature Date.

**ISLAMIC REPUBLIC OF PAKISTAN**

**By**



\_\_\_\_\_  
**Authorized Representative**

**Name:** Noor Ahmed

**Title:** Secretary

**Date:** 30-Mar-2021

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**



\_\_\_\_\_  
**Authorized Representative**

**Name:** Patchamuth Illangovan

**Title:** Country Director

**Date:** 29-Jul-2020

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve availability, utilization, and quality of primary healthcare services and elementary education services in Selected Districts of Khyber Pakhtunkhwa.

The Project consists of the following parts:

#### **Component 1: Improving Delivery of Quality Primary Health Care Services**

- 1.1. Improving delivery of quality primary health care services in Selected Districts through:
  - (a) carrying out of minor works and provision of technical assistance as well as essential health equipment and supplies to support delivery of primary health care services at basic health units and rural health centers, including antenatal care, delivery care, postnatal care, immunization, nutrition and family planning services, prevention, screening, and management of non-communicable diseases;
  - (b) establishing make-shift hospitals for mild cases of COVID-19 and upgrading intensive care units at selected hospitals;
  - (c) (i) establishing a network of health care facilities (“HCF Network”) based on geographic distribution, and strengthening referral systems and transportation arrangements therein, and (ii) upgrading selected secondary health care facilities of such HCF Network to provide comprehensive emergency obstetric and neonatal care twenty-four hours a day, seven days a week (“24/7”); and
  - (d) supporting the Health Department in: (i) contracting the private sector for operating intensive care units and labs to increase capacity to deal with COVID-19; (ii) contracting/outsourcing of health care waste management, diagnostic, laboratory, pharmaceutical, and ambulance services, renovation works, and security as well as janitorial services.
- 1.2. Improving delivery of quality primary health care services in Selected Districts by supporting: (a) provision of training to, and development of a distance learning system as well as online refresher courses for, selected primary health care service providers; and (b) recruitment of (i) healthcare workers to fill vacancies of crucial positions as a temporary measure, and (ii) temporary staff for COVID-19 emergency response activities.

- 1.3. Providing technical and operational assistance to, and building capacity of, the Health Department to: (a) develop and/or update guidelines for essential care and emergency intensive care unit for COVID-19 patients; (b) develop and/or update clinical protocols for delivery of primary health care services, including management of common non-communicable diseases; (c) enhance its capacity in financial management, supply chain management, performance management, human resource management, patient record systems, and contract management; (d) introduce a standard flowsheet and a cascaded quality strategy, establish quality checklists and a quality improvement team, as well as supportive supervision visits; and (e) manage implementation of Parts 1 and 3.1 of the Project; and the Health Care Commission and Health Foundation

## **Component 2: Improving Availability and Quality of Education Services**

- 2.1. Improving access to elementary and secondary education in Selected Districts through:
  - (a) (i) adding and equipping additional classrooms to support reduction of overcrowded schools; and (ii) upgrading selected public primary schools to middle schools and selected middle schools to secondary schools, including adding and equipping additional classrooms and facilities as necessary;
  - (b) providing technical assistance to, and building capacity of, E&SED for: (i) reviewing and updating school construction standards with guidelines for, *inter alia*, climate smart solutions and improved school hygiene and safety; and (ii) scaling up alternative models of service delivery, including distance education, and developing as well as piloting models for operating double-shift schools.
- 2.2. Enhancing the quality of teaching and learning in elementary and secondary education through:
  - (a) carrying out a functional review of student assessment systems and examination policy for primary education;
  - (b) carrying out a functional review of PITE and developing an action plan to address recommendations proposed therein;
  - (c) carrying out of works for improving the infrastructure in PITE and RITE; and
  - (d) developing school score cards and strengthening E&SED's capacity in data utilization and management.

- 2.3. Providing technical and operational assistance to, and building capacity of, E&SED to: (i) negotiate, monitor, and enforce contracts for public private partnerships; and (ii) manage implementation of Parts 2 and 3.2 of the Project.

**Component 3: Strengthening Community Engagement and Accountability**

- 3.1. Enhancing community engagement and accountability in the health sector in Selected Districts through:
  - (a) development of community engagement and feedback systems and carrying out of a program of community-based advocacy and awareness raising campaigns, including development of a communication strategy for positive healthy behaviors and lifestyle;
  - (b) implementing a program of innovation and health promotion grants, providing Health Promotion Grants (“HPGs”) to eligible academia and civil society associations (“Eligible HPG Beneficiaries”); and
  - (c) supporting selected schools in promoting students’ health through, (i) building their institutional and leadership capacity to support students with medical and dental primary health care issues, (ii) improving access to promotive and curative school health services via strong referral systems, (iii) facilitating delivery of health and life skills educations in such schools; (iv) establishing community support and involvement systems.
- 3.2. Enhancing community engagement and accountability in the education sector in Selected Districts through:
  - (a) carrying out a program of activities to strengthen community engagement and grievance redress mechanisms of the education sector, including community-based advocacy, information dissemination campaigns, and operationalization of parent-teacher councils; and
  - (b) implementing a program of parent-teacher council grants, providing Parent-Teacher Council Grants (“PCGs”) to eligible parent-teacher councils (“Eligible PCG Beneficiaries”).
  - (c) carrying out a program of activities designed to enhance E&SED’s capacity in using data for decision making, including carrying out a review of the existing education management and information system, integration of databases, and incentivizing the increased use of data.



**SCHEDULE 2**  
**Project Execution**

**Section I. Implementation Arrangements**

**On-Lending and On-granting 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 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 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 and on-granting 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 and on-granting 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 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 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 SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)	
			Credit	Grant
(1) Goods, works, non-consulting services, consulting services, Incremental Operating Costs, and Training and Workshop for Parts 1 and 3.1 of the Project	42,545,000	19,345,000	58%	42%
(2) Goods, works, non-consulting services, consulting services, Incremental Operating Costs, and Training and Workshop for Parts 2 and 3.2 of the Project	56,525,000	25,700,000	58%	42%
(3) Health Promotion Grants	250,000	117,000	58%	42%
(4) Parent-Teacher Council Grants	1,380,000	638,000	58%	42%
<b>TOTAL AMOUNT</b>	100,700,000	45,800,000		

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
  - (a) for payments made prior to the Signature Date; or
  - (b) under Category (3) until and unless the Association is satisfied, and notified the Recipient of its satisfaction, that the Project Implementing Entity has adopted

Operational Guidelines for Health Promotion Grants in form and substance satisfactory to the Association; or

(c) under Category (4) until and unless the Association is satisfied, and notified the Recipient of its satisfaction, that the Project Implementing Entity has adopted Operational Manual for Parent-Teacher Council Grants in form and substance satisfactory to the Association.

2. The Closing Date is June 30, 2025.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each March 1 and September 1:	
commencing September 1, 2025 to and including March 1, 2045	<b>1.65%</b>
commencing September 1, 2045 to and including March 1, 2050	<b>3.40%</b>

\* 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

### Section I. 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. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
4. “Department of Communication and Works” means Project Implementing Entity’s Department of Communication and Works, or any successor thereto.
5. “Elementary and Secondary Education Department” and the acronym “E&SED” means Project Implementing Entity’s Elementary and Secondary Education Department, in charge of elementary and secondary education, or any successor thereto.
6. “E&SED PMU” means the project management unit to be established pursuant Section I.A.2(c) of the Schedule to the Project Agreement.
7. “Eligible HPG Beneficiaries” means such as: (i) outreach and empowerment of vulnerable groups; (ii) people-friendly service delivery improvements; (iii) community engagement for increased accountability and transparency; and (iv) technological innovations in health service delivery.
8. “Eligible PCG Beneficiaries” means eligible academia and civil society associations.
9. “Environmental and Health Care Waste Management Plan” or “EHCWMP” means the environmental and health care waste management plan adopted by the Project Implementing Entity and disclosed on the Association’s website on May 28, 2020, identifying the problem of contaminated healthcare waste, designing a series of measure for mitigation thereof and defining institutional arrangements for its implementation, as such EHCWMP may be updated from time to time with prior written concurrence of the Association.
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 May 28, 2020, 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: (a) 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; (b) the measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; (c) the procedural, budget and institutional arrangements and actions needed to implement these measures, including any schedules to such plan; as such plan may be amended from time to time with the prior written concurrence of the Association. “ESMPs” means more than one such “ESMP.”
12. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018.
13. “Health Care Commission” means the Project Implementing Entity’s commission responsible for health care, or any successor thereto.
14. “Health Department” means Project Implementing Entity’s Health Department, or any successor thereto.
15. “Health Department PMU” means the project management unit to be established pursuant to Section I.A.2(b) of the Schedule to the Project Agreement.
16. “Health Foundation” means the Project Implementing Entity’s health foundation, or any successor thereto.
17. “Health Promotion Grants” and the acronym “HPGs” means grants provided conditional upon the verification of requirements as set out in the Operational Guidelines for Health Promotion Grants.
18. “Implementing Agencies” means, collectively, the Health Department, and E&SED, and the term “Implementing Agency” means each one of such agencies, individually, as the case may be.

19. “Incremental Operating Costs” means the reasonable costs of incremental expenditures required for the Project, including consumable material and supplies; office rental costs; utilities fees; insurance; communications, advertising and newspaper subscriptions; printing and stationary costs; vehicle and/or office equipment operation and maintenance; charges for opening and operating bank accounts required for the Project, travel, lodging and per diems for Project staff, but does not include salaries or salary supplements of the Recipient’s civil servants, except for the salaries and/or salary supplements that the Recipient’s civil servants formally deputed to the Project to assist in the carrying out of the Project activities are entitled to in accordance with the applicable government policies during the period of their deputation.
20. “Khyber Pakhtunkhwa” means the Recipient province of Khyber Pakhtunkhwa, or any successor thereto.
21. “Operational Guidelines for Health Promotion Grants” means the guidelines to be prepared and adopted by the Project Implementing Entity pursuant to Section III.B.1(b) of Schedule 2 to this Agreement, setting out detailed implementation arrangements for the HPGs, including the criteria, guidelines and procedures for their implementation, targeting of beneficiaries, conditionality requirements and verification protocols therefor, and disbursement of the HPGs.
22. “Operational Manual for Parent-Teacher Council Grants” means the manual to be prepared and adopted by the Project Implementing Entity pursuant to Section III.B.1(c) of Schedule 2 to this Agreement, setting detailed implementation arrangements for the PCGs, including the criteria, guidelines and procedures for their implementation, targeting of beneficiaries, conditionality requirements and verification protocols therefor, and disbursement of the PCGs.
23. “Parent-Teacher Council Grants” and the acronym “PCGs” means grants provided conditional upon the verification of requirements as set out in the Operational Manual for Parent-Teacher Council Grants.
24. “PITE” means Khyber Pakhtunkhwa’s Provincial Institute for Teacher’s Education, or any successor thereto.
25. “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.
26. “Project Implementing Entity” means Recipient’s province of Khyber Pakhtunkhwa.

27. “Project Operations Manual” means the manual to be prepared by the Project Implementing Entity, as the same may be amended from time to time with the prior concurrence of the Association, in which the Recipient will be copied.
28. “P&DD” means Khyber Pakhtunkhwa’s Planning and Development Department, or any successor thereto.
29. “Respective Parts of the Project” means:
  - (a) in respect of Health Department: Parts 1 and 3.1 of the Project; and
  - (b) in respect of E&SED, Parts 2 and 3.2 of the Project.
30. “Safeguard Instruments” means, collectively, the ESMF, the ESMP(s), and the EHCWMP, and “Safeguard Instrument” means any of such Safeguard Instruments.
31. “Selected Districts” means Khyber Pakhtunkhwa’s districts of *Haripur, Nowshera, Peshawar*, and *Swabi*, and/or any other refugee hosting district(s) agreed upon from time to time between the Recipient, the Project Implementing Entity, and the Association.
32. “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.
33. “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 of trainees.