
LOAN NUMBER 6949-PK

Financing Agreement

**(Second Securing Human Investments to Foster Transformation
Development Policy Financing)**

between

THE 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”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association 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 — 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 two hundred seventy eight million six hundred thousand Special Drawing Rights (SDR 278,600,000) (variously, “Credit” and “Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.04. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are April 1 and October 1 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is Dollar.
- 2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
 - (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association 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 ASSOCIATION

- 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 30 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
 - (b) The Federal government has approved the vertical expansion of BISP's Kafaalat Program with updated NSER for FY22 by a percentage increase that is satisfactory to the Association.
 - (c) The Provincial Cabinet of Balochistan has approved the Home-based Workers Bill.
- 5.02. The Effectiveness Deadline is the date ninety (90) days 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 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
Pakistan Secretariat
Islamabad
Pakistan; and

(b) the Recipient's Electronic Address is:

Facsimile: 92-51-910-4016 E-mail: 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: 1-202-477-6391 E-mail: CMUPakistan@worldbank.org

AGREED as of the Signature Date.

THE ISLAMIC REPUBLIC OF PAKISTAN

By



Authorized Representative

Name: Noor Ahmed

Title: Secretary

Date: 29-Jun-2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Shabih Ali

Title: Acting Country Director

Date: 28-Jun-2021

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

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

1. At least three Provincial Cabinets and/or Chief Ministers have approved the revised rules and/or by-laws to harmonize birth and death registration with the national civil registry at NADRA.
2. (A) The MOF and at least three Provincial Finance Departments have approved transfer of funding for routine childhood immunization from development budget to recurrent budget for the expanded programs of immunization in the respective provinces.

(B) The Provincial Finance Departments have notified the MOF on the transfer of costed essential primary health care vertical programs from development budget to recurrent budget, effective as of FY22.
3. (A) The Federal and Provincial Ministers of Education have collectively endorsed the National Student Assessment Framework; and the Federal Cabinet has approved the establishment of the Pakistan Institute of Education, with the mandate to produce, analyze and disseminate education statistics.

(B) The Federal Cabinet has approved a policy framework to reduce the number of out-of-school children, which includes climate resilient approaches for recovery and expansion of the education system.
4. (A) The Federal Cabinet and the Provincial Cabinet of Khyber Pakhtunkhwa have approved the Home-based Workers Bill.

(B) The Provincial Cabinets have approved the Amendments on Shops and Establishments Act and Factories Act to provide better and safe working conditions for women, including no restrictions on working hours, availability of toilets, and childcare facility.

5. At least three Provincial Cabinets have approved the memorandum of agreement between the provincial governments and BISP to strengthen coordination and collaboration for nutrition sensitive cash transfer program.
6. BISP Board has approved the regulations for NSER to become an independent national social registry including appropriate governance and decision-making arrangements that includes representation of all core stakeholders, including federal and provincial authorities.
7. The MOF has: (i) approved a mechanism for the periodic adjustment of regular cash transfer benefits to reflect inflation and changes to other relevant economic factors; and (ii) recommended a vertical expansion of BISP's Kafaalat Program with updated NSER in FY22.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	278,600,000
TOTAL AMOUNT	278,600,000

C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amounts.

1. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (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 Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient'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 June 30, 2022.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage) *
On each April 1 and October 1:	
Commencing October 1, 2026 to and including April 1, 2046	1.65%
commencing October 1, 2046 to and including April 1, 2051	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 of Article II of this Agreement.

APPENDIX

Definitions

1. “Amendments to Factories Act” means draft amending Acts in the provinces of Khyber Pakhtunkhwa, Balochistan, Punjab and Sindh to amend the Principal Acts to provide better working conditions for women in factories.
2. “Amendments to Shops and Establishments Act” means draft amending Acts in the provinces of Khyber Pakhtunkhwa, Balochistan, Punjab and Sindh to amend the Principal Acts to provide better working conditions for women in shops and establishments.
3. “BISP” or “Benazir Income Support Program” means an autonomous statutory authority responsible for the implementation of the Recipient’s social safety net programs, established pursuant to BISP Act.
4. “BISP Board” means the board of BISP, a decision-making body established and operating pursuant to BISP Act.
5. “BISP Act” means the Recipient’s Benazir Income Support Program Act 2010.
6. “Chief Minister” means the elected head of government of a province in Pakistan.
7. “Ehsaas Program” means the Recipient’s program that aims to reduce inequality, invest in people, and lift lagging district, launched by the Recipient on March 27, 2019.
8. “Home-based Worker Bill” means draft Act in Islamabad Capital Territory and provinces of Khyber Pakhtunkhwa and Balochistan to provide for the protection of rights and welfare of home-based workers.
9. “Federal Cabinet” means the Recipient’s cabinet consisting of the Prime Minister and federal ministers, or any successor thereto.
10. “Finance Departments” means, collectively, all departments responsible for finance at the Recipient’s provinces.
11. “FY21” means the Recipient’s fiscal year, which begins on July 1, 2020 and ends on June 30, 2021.

12. “FY22” means the Recipient’s fiscal year, which begins on July 1, 2021 and ends on June 30, 2022.
13. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021).
14. “Kafaalat Program” means the Recipient’s un-conditional cash transfer program under the Ehsaas Program that aims to ensure financial and digital inclusion of women.
15. “Ministry of Finance” or “MOF” means the Recipient’s ministry responsible for finance, or any successor thereto.
16. “NADRA” or “National Database and Registration Authority” means the Recipient’s authority responsible for national database and registration, or any successor thereto.
17. “National Student Assessment Framework” means the Recipient’s document that contains information on key technical steps essential for effective planning and execution of Pakistan’s national achievement test.
18. “NSER” or “National Socio-Economic Registry” means the data base established by BISP to target its support to households.
19. “Pakistan Institute of Education” means the Recipient’s new institute whose creation was approved by the Federal Cabinet on February 25th, 2021, with case number 187/09/2021 and Minutes dated 09.03.2021.
20. “Prime Minister” means the chief executive of the Federation.
21. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated May 25, 2021 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association 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.

22. “Provincial Cabinets” means, collectively, the cabinets at provincial level, consisting of the Chief Minister and provincial ministers, or any successor thereto, specifically including the Provincial Cabinets of Balochistan, Khyber Pakhtunkhwa, Punjab, and Sindh provinces.
23. “Provincial Finance Departments’ means the Finance Departments of provinces of Balochistan, Khyber Pakhtunkhwa, Punjab and Sindh.
24. “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.
25. “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.