
CREDIT NUMBER 6737-PK

Financing Agreement

(Resilient Institutions for Sustainable Economy Development Policy Financing)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6737-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 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 one hundred eighty-two million three hundred thousand Special Drawing Rights (SDR 182,300,000) (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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.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.
- 4.03. 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 Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that 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.
- 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 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 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:

Facsimile: 1-202-477-6391 E-mail: 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 DEVELOPMENT ASSOCIATION

By



Authorized Representative

Patchamuth Illangovan

Name: _____

Title: Country Director _____

Date: 20-Jul-2020 _____

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken Under the Program

The actions taken by the Recipient 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 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	182,300,000
TOTAL AMOUNT	182,300,000

- 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.**

The Recipient, within thirty (30) days after the withdrawal of each of the First Withdrawal Tranche and the Second Withdrawal Tranche 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 May 31, 2021.

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, 2025 to and including April 1, 2045	1.65%
commencing October 1, 2045 to and including April 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. “Benami Transactions (Prohibition) Act of 2017” means the Recipient’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 Recipient’s rules derived from section 61 of the Benami Transactions (Prohibition) Act of 2017, issued on March 11, 2019.
3. “Cabinet” means the Recipient’s cabinet, consisting of the Recipient’s Prime Minister and federal ministers, and established pursuant to Section 81C of the Recipient’s Constitution, or any successor thereto.
4. “Council of Common Interests” means the Recipient’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 Recipient’s strategy to reduce circular debt.
6. “Debt Policy Coordination Office” means the Recipient’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. “FBR” or “Federal Board of Revenue” means the Recipient’s federal board, responsible for revenue, or any successor thereto.
10. “Finance Division” means the Recipient’s division under the Ministry of Finance, responsible for finance, or any successor thereto.
11. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018.

12. “Macro-Fiscal Policy Unit” means the Recipient’s unit responsible for macro-fiscal policy, or any successor thereto.
13. “Ministry of Commerce” means the Recipient’s ministry responsible for commerce, or any successor thereto.
14. “Ministry of Finance” means the Recipient’s ministry responsible for finance, or any successor thereto.
15. “National Finance Commission” means the Recipient’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 Recipient’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 Recipient’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 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.
20. “Renewable Energy Policy” means the Recipient’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 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.
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 Recipient's central bank, or any successor thereto.