

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4203-PAK

Financing Agreement

(Balochistan Education Support Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 10, 2006

Public Disclosure Authorized



CREDIT NUMBER 4203-PAK

FINANCING AGREEMENT

AGREEMENT dated July 10, 2006, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the "Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "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) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifteen million one hundred thousand Special Drawing Rights (SDR 15,100,000) (the "Credit") to assist in financing the project described in Schedule 1 to this Agreement (the "Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is US Dollars.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity through BEF in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension is that the Act has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the Project Implementing Entity's ability to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V – EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division.

6.02. The Recipient's Address is:

Economic Affairs Division
Ministry of Economic Affairs and Statistics
Government of Pakistan
Islamabad, Pakistan

Cable address:	Telex:	Facsimile:
ECONOMIC Islamabad	ECDIV-05-634	(92-51) 9205971 (92-51) 9210734

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Khalid Saeed

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John Wall

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to promote public-private and community partnerships so as to improve access to quality primary education, especially for girls, in Balochistan.

The Project consists of the following parts:

Part 1: Establishment of New Community Schools in Rural Areas

Establishment of new community schools in rural areas, through:

(a) the provision of grants to PECs, among other things, for: (i) the acquisition of equipment, furnishings, textbooks and learning materials; (ii) the recruitment, training, compensation and maintenance of school staff; (iii) the supervision, maintenance and repair of school premises; and (iv) the construction of new school buildings where needed; and

(b) the provision of technical assistance, training and fees to CIPs for mobilizing PECs, and for setting-up, managing, training, supervising and monitoring and evaluating the new community schools.

Part 2: Support to New Private Schools

Provision of support for the establishment of new low-fee private schools in semi-urban and urban areas, through the provision of grants to PIPs among other things, for: (i) the acquisition of equipment, furnishings and learning materials; and (ii) the recruitment, training, compensation and maintenance of school staff.

Part 3: Capacity Building

(a) Enhancing of professional development of teachers, among other things, through the provision of basic and advanced training, textbooks and other learning materials, and incentives, and the continual monitoring and evaluating of performance.

(b) Provision of training to members of PECs and to the professional staff of BEF, CIPs and PIPs, among other things, for strengthening administrative, financial management, procurement, social mobilization, appraisal, teacher training, gender, supervision, and monitoring and evaluation capabilities and skills.

(c) Enhancing of BEF's capacity through the provision of office equipment and supplies, the construction of a new office building and the provision of operating costs.

SCHEDULE 2

Project Execution

Section I. Subsidiary Financing and General Implementation Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Credit available to the Project Implementing Entity in accordance with the Recipient's on-lending policy, and under the same terms and conditions as shall have been received from the Association.
2. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the Schedule to the Project Agreement, the Operations Manual and the Environmental Management Framework.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Recipient shall or shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09(a) of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall or shall cause the Project Implementing Entity to prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall or shall cause the Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one

fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Section III of the Schedule to the Project Agreement.

Section IV. Withdrawal of the Proceeds of the Credit

A. General

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit (“Category”), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed
(1) Civil Works other than those financed under Category (5)	210,000	100%
(2) Furniture and Equipment other than those financed under Category (5)	80,000	100%
(3) Consultants’ Services and Training other than those financed under Category (5)	3,660,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed
(4) Incremental Operating Costs* other than those financed under Category (5)	1,060,000	100%
(5) Grants: (a) under Part 1(a) of the Project for Goods, Civil Works, Consultants' Services, Training and Incremental Operating Costs*; and (b) under Part 2 of the Project for Subsidies**	8,820,000	100%
(6) Unallocated	1,270,000	
TOTAL AMOUNT	15,100,000	

*The term "Incremental Operating Costs" means:

(a) with respect to Category (4), operating costs incurred by BEF on account of implementation of the Project, including staff salaries and benefits, vehicle operation and maintenance costs, office maintenance costs, and bank and advertisement charges, but excluding salaries of officials of the Recipient's civil service; and

(b) with respect to Category (5)(a), operating costs incurred during a period not exceeding the first two (2) years of the respective Community School's operations, including salaries and benefits of staff and teachers, furniture and instructional material, school maintenance and operating costs and bank charges.

** The term "Subsidies" means with respect to Category 5(b) in the table above, subsidies due during a period not exceeding the first three (3) years of the respective Private School's operations, to finance expenditures, among other things, for salaries and benefits of staff and teachers, furniture and instructional material, school maintenance and operating costs and bank charges, and to consist of: (i) a subsidy calculated at the rate of Rs. 300 per enrolled student per month or such other rate as the Association shall from time to time agree, for up to a maximum of one hundred and twenty-five (125) students; and (ii) a subsidy calculated at the rate of Rs. 400 per enrolled student per annum or such other rate as the Association shall from time to time agree.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$400,000 equivalent may be made for payments made prior to this date but on or after January 1, 2006, for Eligible Expenditures; or

(b) under Category (5) unless an internal auditor has been appointed by BEF for the overall monitoring and oversight of the Community School Grants and the Private School Grants, under terms and conditions acceptable to the Association.

2. The Closing Date is January 31, 2011.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (Expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2016 to and including March 15, 2026	1.25%
commencing September 15, 2026 to and including March 15, 2041	2.5%

*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 3.03(b) of the General Conditions.

APPENDIX

Definitions

1. “Act” means the Balochistan Education Foundation Act (No. VII of 1994), as amended by the Balochistan Education Foundation (Amendment) Act (No. V of 2004) and the Balochistan Education Foundation (Amendment) Ordinance (No. V of 2006), and as may be further amended from time to time.
2. “Balochistan” means the Recipient’s Province of Balochistan.
3. “BEF” means the Balochistan Education Foundation, an entity established and operating in accordance with the Act.
4. “Beneficiaries” means PECs or IPs eligible to receive a Community School Grant or a Private School Grant.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “CIP” means a Community School’s Implementation Partner, being a non-governmental organization selected in accordance with criteria set out in the Operations Manual, for the purposes of a Community School or Schools.
7. “Community Schools” means schools established or to be established by local communities with the assistance of CIPs under Part 1 of the Project, and maintained and supervised by PECs, all in accordance with the Operations Manual.
8. “Community School Grant” means financing provided or to be provided to PECs on a non-reimbursable basis under Part 1(a) of the Project on the terms and conditions, including eligibility criteria, set out for such financing in the Operations Manual.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
10. “Environmental Management Framework” means BEF’s environment management framework for the Project, dated March 2006, as the same shall be amended from time to time with the agreement of the Association.
11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.

12. “Grants” means Community School Grants and Private School Grants collectively; and “Grant” means each and any such grant individually.
13. “Implementing Partner” or “IP” means a CIP, a PIP or a TIP, as the case may be.
14. “Operations Manual” means BEF’s operations manual dated August 23, 2005, which is comprised of a program operations manual, a human resource management manual, a procurement manual and a financial management manual and includes, among other things, the eligibility criteria for selection of PECs, IPs and Community and Private schools, as the same may be updated from time to time with the agreement of the Association.
15. “PEC” means a Parent Education Committee established by each local community that is participating in the Project, to manage and supervise such Community School.
16. “PIP” means a Private School’s Implementation Partner, being a private school operator selected in accordance with criteria set out in the Operations Manual, for purposes of a Private School or Schools.
17. “Private School” means a school established or to be established under Part 2 of the Project and maintained by a PIP in accordance with the Operations Manual.
18. “Private School Grant” means financing provided or to be provided to a PIP on a non-reimbursable basis under Part 2 of the Project on the terms and conditions, including eligibility criteria, set out for such financing in the Operations Manual.
19. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 22, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
21. “Project Implementing Entity” means Balochistan.
22. “Rs” or “rupees” means the currency of the Recipient.
23. “TIP” means a Technical Implementation Partner, being a non-governmental organization, a consultant, a government training institute or a private training institute, as the case may be, selected for the purposes of capacity building under the Project.