

CONFORMED COPY

CREDIT NUMBER 3834-1-PAK
(Amendment)

Agreement Amending the Development Credit Agreement

(Second Poverty Alleviation Fund Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 6, 2005

**CREDIT NUMBER 3834-1-PAK
(Amendment)**

**AGREEMENT AMENDING THE
DEVELOPMENT CREDIT AGREEMENT**

This AMENDING AGREEMENT is dated December 6, 2005, and is made between ISLAMIC REPUBLIC OF PAKISTAN (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

(A) WHEREAS pursuant to a development credit agreement dated January 20, 2004, between the Borrower and the Association (the "Development Credit Agreement"), the Association agreed to provide the Borrower with a credit in an amount in various currencies equivalent to one hundred sixty-eight million one hundred thousand Special Drawing Rights (SDR 168,100,000) to assist in financing the Second Poverty Alleviation Fund Project described in Schedule 2 to the Development Credit Agreement, as amended (the "Project");

(B) WHEREAS pursuant to a project agreement dated January 20, 2004, between Pakistan Poverty Alleviation Fund (PPAF) and the Association (the "Project Agreement"), PPAF agreed to carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to the Project Agreement;

(C) WHEREAS the Borrower has requested the Association to provide additional financial assistance in support of the Project to support the relief, reconstruction and rehabilitation of communities affected by the earthquake which occurred in the Borrower's territory on October 8, 2005 (the Emergency), by: (i) increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to sixty eight million and nine hundred thousand Special Drawing Rights (SDR 68,900,000); and (ii) reallocating an amount in various currencies equivalent to three million five hundred and thirty thousand Special Drawing Rights (SDR 3,530,000) to activities responding to the Emergency; and

(D) WHEREAS the Association has agreed, on the basis, among other things, of the foregoing to extend such additional financial assistance to the Borrower upon the terms and conditions set forth in this Amending Agreement;

NOW THEREFORE the parties agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the "General Conditions") constitute an integral part of this Amending Agreement.

Section 1.02. Unless the context otherwise requires and except where otherwise defined in this Amending Agreement, all capitalized terms contained herein

shall have the meanings given to them in the Development Credit Agreement, the Preamble to this Amending Agreement, or in the General Conditions as the case requires.

ARTICLE II

Amending Provisions

Section 2.01. Section 1.02 of the Development Credit Agreement is amended as follows:

- (i) by amending Sub-Section (b) to read as follows:

“(b) “Eligible Categories” means Categories (1), (2), (3), (4), (5), (6), (7), (9), (10) and (11) set forth in the table in Part A.1 of Schedule 1 to this Agreement;”

- (ii) by amending Sub-Section (h) to read as follows:

“(h) “Grant” means a grant made or proposed to be made through a PO (as hereinafter defined) out of the proceeds of the Credit to a Beneficiary for an SSIP (as hereinafter defined), SSDP (as herein after defined), or Part C of the Project;”

- (iii) by deleting the word “and” at the end of Sub-section (w);

- (iv) by replacing the full stop at the end of Sub-section (x) with a semi-colon; and

- (v) by inserting the following new definitions:

“(y) “Amending Agreement” means this Agreement Amending the Development Credit Agreement (Second Poverty Alleviation Fund Project) between the Borrower and the Association dated December 6, 2005;

(z) “Affected Communities” means communities in Azad Jammu and Kashmir and North West Frontier Province whose livelihoods were affected by the Emergency;

(za) “Cash Grants” means cash payments for housing support to affected persons in the Affected Communities under Part C.2 of the Project; and

(zb) “Disaster Recovery” means relief activities in response to the Emergency, including provision of medicines, small surgical instruments, food items, blankets, tents, corrugated iron sheets, clothes, water, milk and other related items as well as transportation, distribution and

operating/administrative expenses related thereto, financed or proposed to be financed under Part C (4) of the Project.

Section 2.02. Section 2.01 of the Development Credit Agreement is amended to read as follows:

“Section 2.01. The Association agrees to make available to the Borrower, on the terms and subject to the conditions set out, or referred to, in the Development Credit Agreement, an amount in various currencies equivalent to two hundred and thirty seven million Special Drawing Rights (SDR 237,000,000) (the “Credit”) which consists of: (a) an initial amount in various currencies equivalent to one hundred sixty-eight million one hundred thousand Special Drawing Rights (SDR 168,100,000) (the “Initial Credit”); and (b) an additional amount in various currencies equivalent to sixty eight million nine hundred thousand Special Drawing Rights (SDR 68,900,000) (the “Additional Credit”).”

Section 2.03. A proviso is added at the end of Section 2.04(b)(i) of the Development Credit Agreement reading as follows:

“; provided however that the commitment charge on the Additional Credit shall accrue from a date sixty (60) days after the date of the signing of the Amending Agreement.”

Section 2.04. A new Sub-Section (e) is added to Section 2.07 of the Development Credit Agreement reading as follows:

“(e) Subject to paragraphs (b), (c) and (d) above, the Borrower shall repay the principal amount of the Additional Credit in semiannual installments payable on each February 1 and August 1 commencing February 1, 2016 and ending August 1, 2040. Each installment to and including the installment payable on August 1, 2025, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one half percent (2-1/2%) of such principal amount.”

Section 2.05. The table in paragraph A.1 of Schedule 1 to the Development Credit Agreement (Withdrawal of the Proceeds of the Credit), is amended to read as set forth in the Annex to this Amending Agreement.

Section 2.06. New paragraphs are added to Schedule 1.A reading as follows:

“6. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of the Amending Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$10,000,000 may be made in respect of Categories (9), (10) and (11) on account of payments made for expenditures before that date but after October 8, 2005.

7. Notwithstanding the provisions of paragraph 1, above, no withdrawals shall be made in respect of payments made for expenditures

under Category (11) unless the Borrower has furnished to the Association evidence of satisfactory and acceptable guidelines, eligibility criteria and financial management arrangements.”

Section 2.07. Schedule 2 to the Development Credit Agreement is amended by inserting a new Part C of the Project to read as follows:

“Part C: Emergency Relief, Rehabilitation and Reconstruction Program

1. Revitalization of the Affected Communities through intensive social mobilization, including carrying out of disaster management, rehabilitation and reconstruction training for the benefit of Affected Communities and the staff of POs, and provision of equipment, vehicles and operating costs to POs engaged in these activities.
2. Provision of Cash Grants for the construction of low-cost seismologic houses and multi purpose community buildings.
3. Provision of Grants for the rehabilitation of community physical infrastructure schemes for, among other things, water, sanitation and feeder roads.
4. Provision of Grants to Affected Communities for Disaster Recovery.
5. Financing of coordination, monitoring and supervision activities, including provision of technical assistance for earthquake resistance structures.”

Section 2.08. Except as expressly provided in this Amending Agreement, all other provisions of the Development Credit Agreement shall remain in full force and effect.

ARTICLE III

Effective Date; Termination

Section 3.01. This Amending Agreement shall not become effective until a legal opinion or opinions satisfactory to the Association, showing that: (i) this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and is legally binding upon the Borrower in accordance with its terms, has been received by the Association; and (ii) the Agreement Amending the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of PPAF and is legally binding upon PPAF in accordance with its terms, has been received by the Association.

Section 3.02. This Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required pursuant to Section 3.01 of this Amending Agreement.

Section 3.03. The date ninety (90) days after the date of this Amending Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

ARTICLE IV

Representatives of the Borrower; Addresses

Section 4.01. The Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of that Division is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Affairs Division
Islamabad
Pakistan

Cable address:	Telex:	Facsimile:
ECONOMIC Islamabad	ECDIV-05-634	92 51 9205971 92 51 9218976

For the Association:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in 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

Country Director
Pakistan

Annex

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the Additional Financing

The table below sets forth the Category of items to be financed out of the proceeds of the Credit and the Additional Credit, the allocation of the amounts of the Credit and the Additional Credit to each Category and the percentage of expenditures for items so to be financed in such Category:

<u>Category</u>	<u>Amount of the Initial Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Additional Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Sub-loans provided:			100% of amounts disbursed by PPAF
(a) other than through EDF	92,670,000		
(b) through EDF	1,470,000		
(2) Grant for:			100% of amounts disbursed by PPAF
(a) SSIPs	35,860,000		
(b) SSDPs	3,530,000		
(3) Civil works	1,260,000		90%
(4) Equipment and vehicles for:			100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 70% of local expenditures for other items procured locally
(a) PPAF	490,000		
(b) POs	3,460,000		

<u>Category</u>	<u>Amount of the Initial Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Additional Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Consultants' and external services for PPAF	2,340,000		88% of expenditures for foreign firms or individuals and 98% of expenditures for local firms or individuals
(6) Training for:			100%
(a) PPAF	490,000		
(b) POs	1,910,000		
(c) Beneficiaries	3,960,000		
(7) Incremental Operating Costs for:			
(a) PPAF	1,450,000		65% of expenditures for Year 1 of the Project, 55% of expenditures for Year 2 of the Project, 45% of expenditures for Year 3 of the Project, and 0% of expenditures for Year 4 of the Project

<u>Category</u>	Amount of the Initial Credit Allocated (Expressed in SDR Equivalent)	Amount of the Additional Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(b) POs	14,270,000		100% of amounts disbursed by PPAF to finance, on a declining basis, such percentage of each PO's operating costs as shall be determined by PPAF, based on the PO's business plan
(8) Unallocated <i>Activities Under Part C of the Project:</i>	1,410,000		
(9) Grants under Part C.3; Equipment and vehicles for POs; Consultant's Services; Training; and Incremental Operating Costs, all under Part C of the Project		27,500,000	100%
(10) Grants for Disaster Recovery	3,530,000		100%
(11) Cash Grants		41,400,000	100%
TOTAL	<u>168,100,000</u>	<u>68,900,000</u>	

