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**CREDIT NUMBER 6462-PK**

# **Financing Agreement**

**(Khyber Pakhtunkhwa Integrated Tourism Development Project)**

**between**

**ISLAMIC REPUBLIC OF PAKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT NUMBER 6462-PK**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between the ISLAMIC REPUBLIC OF PAKISTAN (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“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) 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 fifty million six hundred thousand Special Drawing Rights (SDR 50,600,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.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 January 1 and July 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 objectives 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 — EFFECTIVENESS; TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.02. 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 V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Economic Affairs Division of the Ministry of Finance, Revenue and Economic Affairs.

- 5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Economic Affairs Division  
Ministry of Finance, Revenue and Economic Affairs  
Islamabad  
Pakistan

and

- (b) the Recipient's Electronic Address is:

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

- 5.03. 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:

Telex:	Facsimile:	E-mail:
248423 (MCI)	1-202-477-6391	CMUPakistan@worldbank.org

AGREED as of the Signature Date.

**ISLAMIC REPUBLIC OF PAKISTAN**

**By**



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

**Name:** Noor Ahmed  
\_\_\_\_\_

**Title:** Secretary  
\_\_\_\_\_

**Date:** 26-Nov-2019  
\_\_\_\_\_

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**



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

**Name:** Patchamuthu Illangovan  
\_\_\_\_\_

**Title:** Country Director  
\_\_\_\_\_

**Date:** 15-Oct-2019  
\_\_\_\_\_

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to improve tourism-enabling infrastructure, enhance tourism assets, and strengthen destination management for sustainable tourism development in Khyber Pakhtunkhwa.

The Project consists of the following parts:

#### **Part 1: Sector Enablement and Tourism Entrepreneurship**

- (a) Strengthening the policy, institutional and regulatory environment for tourism through, *inter alia*: (i) conducting an analysis of the existing policy and regulatory framework in the travel and tourism sector and proposing necessary reforms; and (ii) providing advisory support to provincial authorities with a tourism development mandate, including providing advice on best practices regarding policy and regulations for the proposed introduction of ITZs, and other tourism-related institutions.
- (b) Establishing automated data collection and monitoring mechanisms on tourism performance indicators.
- (c) Supporting tourism entrepreneurship through, *inter alia*: (i) creating awareness among MSME and service providers in the travel and tourism sector about existing financing schemes and convene finance providers to improve MSMEs' access to financing; (ii) providing business development support services to MSMEs; and (iii) providing vocational skills training mainly targeted towards women and youth.
- (d) Transforming the visitor experience using digital technology and supporting creative business models in collaboration with the private sector.

#### **Part 2: Infrastructure Planning and Development**

- (a) Providing tourist destination development through, *inter alia*: (i) developing destination investment and management plans for tourist destinations to be selected in accordance with the selection criteria and procedures set out in the Project Operations Manual; and (ii) carrying out tourist destination development activities (including in ITZs) selected or to be selected in accordance with the selection principles and procedures set out in the Project Operations Manual.

- (b) Preserving and managing heritage sites across KP to be selected in accordance with the selection criteria and procedures set out in the Project Operations Manual.
- (c) Improving access by tourists and visitors to tourist destinations through, *inter alia*: (i) rehabilitating and upgrading secondary and/or tertiary roads to be selected in accordance with the selection criteria and procedures set out in the Project Operations Manual; (ii) supporting road maintenance and accessibility, including the provision of relevant equipment; and (iii) providing support to establish telephone/internet connectivity in tourist destinations.
- (d) Undertaking feasibility studies for at least two (2) proposed ITZs.

**Part 3: Project Management and Capacity Building**

- (a) Supporting Project management and capacity building through, *inter alia*: (i) providing technical and operational assistance to PMU-DoT and PMU-C&W to support Project implementation, including procurement, financial management, environmental and social safeguards as well as monitoring and evaluation of the Project; and (ii) supporting the implementation of the GAAP and the related communication strategy.
- (b) Implementing environmental preservation and waste management activities through, *inter alia*: (i) encouraging the reduction and recycling of waste through awareness campaigns for visitors; and (ii) procuring essential technology and equipment for sorting and using recycled plastics.
- (c) Carrying out civil works for the appropriate functioning of PMU-DoT to be housed in DoT and PMU-C&W to be housed in C&W.

**Part 4: Contingent Emergency Response**

Providing immediate response to an Eligible Crisis or Emergency, as needed.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. On-Lending 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 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 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 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. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive its rights under such arrangement.

##### **B. Contingent Emergency Response**

1. The Recipient shall ensure that Part 4 of the Project ("Emergency Response Part") is carried out in accordance with the Emergency Response Manual ("ERM") (provided, however, that in the event of any conflict between the arrangements and procedures set out in the ERM and this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the ERM and of the emergency response implementation plan and safeguard instruments prepared pursuant to paragraph 2 of this Part C in accordance with the ERM.



2. Without limitation on the foregoing, the Recipient shall undertake no activities under the Emergency Response Part, unless and until the following conditions have been met in respect of said activities:
  - (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
  - (b) the Recipient has prepared and adopted the ERM, in form and substance satisfactory to the Association, and has prepared and adopted an emergency response implementation plan for said activities in accordance with the ERM and in form and substance satisfactory to the Association, setting out the objectives, performance indicators, scope, eligible expenditures, and fiduciary, safeguards and other implementation arrangements; and
  - (c) the Recipient has ensured the preparation and disclosure of all safeguard instruments as may be required for said activities in accordance with the ERM, the Association has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.

**Section II. Project Monitoring, Reporting and Evaluation**

The Recipient shall cause the Project Implementing Entity to 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:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Incremental Operating Costs, and Training and Workshop Costs under Parts 1, 2 and 3 of the Project	50,600,000	100%
(2) Emergency Expenditures eligible under Part 4 of the Project	0	100%
<b>TOTAL AMOUNT</b>	<b>50,600,000</b>	

**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, except that withdrawals up to an aggregate amount not to exceed SDR 10,120,000 may be made for payments made prior to this date but on or after January 1, 2019, for Eligible Expenditures under Category (1); or
  - (b) for Emergency Expenditures under Category (2), unless and until the Association is satisfied all of the following conditions have been met in respect of said expenditures:
    - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

- (ii) the Recipient has prepared and adopted the ERM, in form and substance satisfactory to the Association, and has prepared and adopted an emergency response implementation plan for said activities, in accordance with the ERM and in form and substance satisfactory to the Association, setting out the objectives, performance indicators, scope, eligible expenditures, and fiduciary, safeguards and other implementation arrangements for such activities;
- (iii) the Recipient has ensured that all safeguards instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.B of this Schedule;
- (iv) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.B of this Schedule, for the purposes of said activities; and
- (v) the provisions of the ERM remain – or have been updated in accordance with the provisions of Section I.B of this Schedule so as to be – appropriate for the inclusion and implementation of the Emergency Response Part.

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 January 1 and July 1:	
commencing July 1, 2024 to and including January 1, 2044	1.65%
commencing July 1, 2044 to and including January, 2049	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

### Section I. Definitions

1. “Affected Person” means a person or entity who, on account of the execution of the Project and/or Sub-projects, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and, “Affected Persons”, means more than one such Affected Person.
2. “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.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “C&W” means the Project Implementing Entity’s Department of Communication and Works, or any successor thereto.
5. “DoT” means the Project Implementing Entity’s Department of Culture, Sports, Tourism and Youth Affairs, or any successor thereto.
6. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
7. “Emergency Expenditure” means any of the eligible expenditures set forth in the ERM in accordance with the provisions of Section I.B of Schedule 2 to this Agreement and required for the Emergency Response Part.
8. “Emergency Response Manual” and “ERM” each means the manual referred to in Section I.B of Schedule 2 to this Agreement, to be adopted and maintained by the Recipient for the Emergency Response Part in accordance with the provisions of said Section.

9. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 4 of the Project.
10. “Environmental and Social Management Framework” or “ESMF” means the document prepared and adopted by the Project Implementing Entity, satisfactory to the Association, disclosed in-country, and the Association’s website on February 26, 2019, setting out the principles, rules, guidelines and procedures to screen and assess the potential adverse environmental and social risks and impacts (including health and safety issues) of Project activities, including the risks of gender-based violence and sexual exploitation and abuse, adopt measures to avoid, reduce, mitigate or offset environmental and social adverse risks and impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse, procedural, budget and institutional arrangements and actions needed to implement these measures, and information on the agency or agencies responsible for addressing the Projects’ risks and impacts; as well as for the preparation of environmental and social management plans, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.
11. “Gender Analysis and Action Plan” or “GAAP” means a gender analysis and action plan setting out gender-related measures for the Project.
12. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018.
13. “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 (excluding foreign tours of contractual staff and consultants), but does not include salaries or salary supplements of the Recipient’s or the Project Implementing Entity’s civil servants, except for the salaries and/or salary supplements that the Recipient’s or Project Implementing Entity’s civil servants seconded to the Project to assist in the carrying out of the Project activities are entitled to in accordance with the applicable policies during the period of their secondment.
14. “Indigenous Peoples Plan” or “IPP” means the document to be adopted by the Project Implementing Entity, satisfactory to the Association, and to be disclosed on the Association’s website, which includes the principles, procedures, organizational arrangements and budget to implement indigenous peoples related

activities under the Project, or under parts of the Project, as said indigenous peoples plan may be revised from time to time with the prior written agreement of the Association.

15. “Indigenous Peoples Planning Framework” or “IPPF” means the indigenous peoples planning framework prepared and adopted by the Project Implementing Entity, satisfactory to the Association, and disclosed on the Association’s website on March 7, 2019, which sets out the principles, organizational arrangements (including consultation, budget and disclosure), and design criteria to be applied to Project and Sub-project activities which affect indigenous peoples, including the preparation of indigenous peoples plans, as such framework may be amended from time to time with the prior written agreement of the Association.
16. “Integrated Tourism Zone” or “ITZ” means a geographically delimited area consisting of tourism sites that are closely linked, e.g. by history, culture, nature or otherwise, with multiple private companies, a zone management system and its own governance mechanism.
17. “Khyber Pakhtunkhwa” or “KP” means the Recipient’s Province of Khyber Pakhtunkhwa.
18. “MSMEs” means micro, small and medium-sized enterprises, including those in the travel and tourism sector.
19. “Physical Cultural Resource Management Framework” means the framework prepared by the Project Implementing Entity, satisfactory to the Association, and disclosed on the Association’s website on February 27, 2019, as said framework may be updated from time to time with the prior written agreement of the Association.
20. “Physical Cultural Resource Management Plan” means the instrument prepared by the Project Implementing Entity, satisfactory to the Association, and disclosed on the Association’s website on February 27, 2019, as said instrument may be updated from time to time with the prior written agreement of the Association.
21. “PMU-C&W” means the project management unit established within C&W, and referred to Section I.A.1.(c) of the Schedule to the Project Agreement.
22. “PMU-DoT” means the project management unit established within DoT, and referred to Section I.A.1.(b) of the Schedule to the Project Agreement.

23. “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.
24. “Project Implementing Entity” means the Recipient’s Province of Khyber Pakhtunkhwa, or any successor thereto.
25. “Project Operations Manual” means the manual to be prepared and adopted by the Project Implementing Entity, in form and substance satisfactory to the Association, pursuant to Section I.C.1.(a) of the Schedule to the Project Agreement, setting out the policies and procedures for the implementation of the Project.
26. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework prepared and adopted by the Project Implementing Entity, satisfactory to the Association, and disclosed on the Association’s website on February 26, 2019, which sets out the resettlement principles, guidelines, organizational arrangements (including consultation and budget), and design criteria for the preparation of Sub-project RAPs under the Project and Sub-project, as such framework may be amended from time to time with the prior written agreement of the Association.
27. “Safeguard Instruments” means collectively the ESMF, Sub-project ESMP, Sub-project ESIA, IPPF, Sub-Project IPP, RPF, Sub-project RAP, Physical Cultural Resource Management Framework, Physical Cultural Resource Management Plan, and “Safeguard Instrument” means any of such Safeguards Instruments.
28. “Safeguard Policies” means, the Operational Policies (OPs) and Bank Procedures (BPs) of the Association, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), and OP/BP 4.36 (Forests); they can be found at <https://policies.worldbank.org>.
29. “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.
30. “Sub-project” means a specific activity to be carried out under Part 2(a), (b) and (c) of the Project, which is identified and appraised, as needed, during Project implementation, selected in accordance with the Project Agreement and the selection criteria/principles and procedures set out in the Project Operations Manual and proposed to be financed with the proceeds of the Financing.



31. “Sub-project Environmental and Social Impact Assessment” or “Sub-project ESIA” means: (a) any environmental and social impact assessment to be prepared for civil works to be carried out under a Sub-project; and (b) any site-specific environmental and social impact assessment to be prepared pursuant to the ESMF for a Sub-project in each case describing a set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Sub-project to avoid, minimize and mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; as said environmental impact and social assessments are: (i) satisfactory to the Association; (ii) have been published by the Recipient; (iii) have been published on the Association’s website; and (iv) may be amended and/or supplemented from time to time with the prior written agreement of the Association.
32. “Sub-project Environmental and Social Management Plan” or “Sub-project ESMP” means the instrument to be prepared for a Sub-project in accordance with the procedures and requirements under the ESMF, satisfactory to the Association, which details: (a) the measures to be taken during the implementation and operation of the Sub-project to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as said instrument may be amended from time to time with the Association’s prior written agreement.
33. “Sub-project Resettlement Action Plan” or “Sub-project RAP” means the instrument to be prepared for a Sub-project in accordance with the procedures and requirements of the Resettlement Policy Framework, which includes the principles, procedures, organizational arrangements and budget to implement the resettlement related activities under the Sub-project, as said resettlement action plan may be revised from time to time with the prior written agreement of the Association; and “Sub-project RAPs” means, collectively, all such RAPs.
34. “Training and Workshops Costs” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient or attended overseas (subject to the prior approval of the Association), including the purchase and publication of materials, rental of facilities, course fees, and travel, boarding, lodging and subsistence of trainees.