

CREDIT NUMBER 2102 PAK

Development Credit Agreement

(Sindh Primary Education Development Program)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 18, 1990

CREDIT NUMBER 2102 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 18, 1990, between ISLAMIC REPUBLIC OF PAKISTAN (the Borrower), acting by its President and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Program described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Program;

(B) the Project will be carried out by the Government of the Province of Sindh (Sindh) of the Borrower with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Sindh the proceeds of the Credit as provided in this Agreement;

(C) in order to assist in financing the carrying out of the Program, the Borrower intends to obtain grants (the Co-financing Amount) from the Governments of Norway and the United Kingdom of Great Britain and Northern Ireland (the Co-Financiers) in the amounts, respectively, of about \$6,600,000 and about 1,250,000 pounds sterling under agreements (the Co-Financing Agreements) to be entered into between the Borrower and the Co-Financiers; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Sindh Primary Education Program Agreement of even date herewith between the Association and Sindh;

NOW THEREFORE the parties hereto hereby 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, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) the word "Project" shall mean, whenever it appears in the General Conditions, the Program described in Schedule 2 to this Agreement; and

(b) the last sentence of Section 3.02 is deleted.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Sindh Primary Education Program Agreement" means the agreement between the Association and Sindh of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Sindh Primary Education Program Agreement;

(b) "ADP" means any of the Annual Development Programs for Sindh, referred to in Part A of Schedule 2 to the Sindh Primary Education Program Agreement;

(c) "GCET" means any of the Government Colleges for Elementary Teachers operating in Sindh;

(d) "AIOU" means the Allama Iqbal Open University of the Borrower; and

(e) "DEEW" means the Directorate of Education Engineering Sindh;

(f) "AESPC" means the Additional Secretary Education, for Planning and Coordination of Sindh;

(g) "DEEW Special Account" means the account to be opened, pursuant to Section 2.02 (b) of this Agreement, to meet expenditures incurred by DEEW under the Program;

(h) "AESPC Special Account" means the account to be opened, pursuant to Section 2.02 (b) of this Agreement, to meet expenditures incurred by AESPC under the Program; and

(i) "Special Accounts" means collectively the AESPC Special Account and the DEEW Special Account.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eighty-five million two hundred thousand Special Drawing Rights (SDR 85,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree,

to be made) in respect of the reasonable cost of goods and services required for the Program and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Program, open and maintain in dollars two special accounts (the AESPC Special Account and the DEEW Special Account) in the National Bank of Pakistan on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing March 15, 2000 and ending September 15, 2024. Each installment to and including the installment payable on September 15, 2009, 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.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider

the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Program

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Program as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Sindh to perform in accordance with the provisions of the Sindh Primary Education Program Agreement all of its obligations set forth therein, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Sindh to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) In order to assist Sindh in carrying out the Program, the Borrower shall make the proceeds of the Credit available to Sindh in accordance with procedures and under terms and conditions satisfactory to the Borrower and the Association.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Program and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Sindh Primary Education Program Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by Sindh pursuant to Section 2.03 of the Sindh Primary Education Program Agreement.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

## ARTICLE V

### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Sindh shall have failed to perform any of its obligations under the Sindh Primary Education Program Agreement.

(b) As a result of events which have occurred after

the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Sindh will be able to perform its obligations under the Sindh Primary Education Program Agreement.

- (c) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant (included in the Co-Financing Amount) provided to the Borrower for the financing of the Program shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:
  - (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform its obligations under such agreement, and
  - (B) adequate funds for the Program are available to the Borrower from other sources on terms consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Executive Committee of the National Economic Council of the Borrower shall have approved the PC-1 document with respect to the Program;

(b) Sindh shall have taken all formal action required for the introduction of the measures specified in Part C (1) of Schedule 2 to the Sindh Primary Education Program Agreement;

(c) an agreement (or agreements) satisfactory to the Association to provide the technical services required to assist Sindh in carrying out the Program shall have been concluded between Sindh and the agency or agencies providing such services; and

(d) commitments to provide the Co-Financing Amount have been obtained by the Borrower from the Co-Financiers.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Sindh Primary Education Program Agreement has been duly authorized or ratified by Sindh, and is legally binding upon Sindh in accordance with its

terms.

Section 6.03. The date 90 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in the Economic Affairs Division of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Secretary to the Government of Pakistan  
Economic Affairs Division  
Islamabad, Pakistan

|                       |              |
|-----------------------|--------------|
| Cable address:        | Telex:       |
| ECONOMIC<br>Islamabad | ECDIV-OS-634 |

For the Association:

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

|                             |                                                                  |
|-----------------------------|------------------------------------------------------------------|
| Cable address:              | Telex:                                                           |
| INDEVAS<br>Washington, D.C. | 197688 (TRT),<br>248423 (RCA),<br>64145 (WUI) or<br>82987 (FTCC) |

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia United States of America, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ M. Afzal  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ H.E. Kopp  
Acting Regional Vice President  
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

| Category                                                                                                                                                                 | Amount of the<br>Credit Allocated<br>(Expressed in<br>SDR Equivalent) | % of<br>Expenditures<br>to be Financed                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| (1) Works                                                                                                                                                                | 64,970,000                                                            | 100%                                                                                      |
| (2) Equipment,<br>educational<br>materials,<br>furniture<br>and books                                                                                                    | 5,300,000                                                             | 100% of foreign<br>expenditures and<br>100% of local<br>expenditures<br>(ex-factory cost) |
| (3) Textbook papers<br>and book cover<br>materials                                                                                                                       | 4,300,000                                                             | 28% of foreign<br>expenditures and<br>28% of local<br>expenditures<br>(ex-factory cost)   |
| (4) Consultants'<br>services and<br>fellowships                                                                                                                          | 2,650,000                                                             | 100%                                                                                      |
| (5) Salaries of<br>incremental<br>staff posted<br>pursuant to<br>Part B (4) (a)<br>and (b) of the<br>Program, for<br>the period from<br>July 1, 1990 to<br>June 30, 1998 | 380,000                                                               | 100%                                                                                      |
| (6) Unallocated                                                                                                                                                          | 7,600,000                                                             |                                                                                           |
| TOTAL                                                                                                                                                                    | 85,200,000                                                            |                                                                                           |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the Borrower shall furnish to the Association for its approval, prior to the start of disbursement under Category (5) in any fiscal year, a detailed statement describing the amount eligible for financing under said Category during such fiscal year.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that:

(a) withdrawals in an aggregate amount not exceeding the equivalent of \$9,600,000 may be made in



respect of Category (1) on account of payments made before that date but after January 1, 1990 for financing primary school construction; and

(b) withdrawals in an aggregate amount not exceeding the equivalent of: (i) \$200,000 in respect of Category (2); and (ii) \$200,000 in respect of Category (4) may be made on account of payments made before that date but after October 1, 1989 for financing the procurement of office equipment and consultants' services, respectively.

#### SCHEDULE 2

##### Description of the Program

The objectives of the Program are to increase access to, and enhance the delivery of, primary education and to improve the achievements of students in primary schools.

The Program consists of the following parts, subject to such modification thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

##### Part A: Access to Primary Education

(1) Construction of: (a) about 8,800 classrooms for existing shelterless schools; and (b) about 8,000 additional classrooms in rural and low-income urban areas (particularly in Katchi Abadis and slums).

(2) Rehabilitation of existing schools through: (a) construction of sanitary and water supply facilities for about 2,100 girls' and mixed schools; (b) construction of boundary walls for about 2,500 girls' schools; and (c) provision of basic furnishing for about 16,800 classrooms.

(3) (a) establishment of school maintenance capacity, including the provision of the facilities and funds required therefor; and

(b) annual rehabilitation of about 2,000 schools during the years 1991 through 1995.

(4) Implementation of measures to improve enrollment and retention of students in primary schools.

##### Part B: Delivery of Primary Education

(1) Implementation of measures: (a) to increase the supply of female teachers in rural areas; (b) to increase the supply of new certified teachers; and (c) to increase the number of teacher trainers with experience in primary education at the GCETs.

(2) Development, implementation and evaluation of two pilot in-service teacher training programs.

(3) Implementation of measures to improve the performance of supervisors of primary education, including the provision of transport equipment to enable their regular visitation of schools.

(4) Implementation of reorganization and training measures to increase the capacity of Sindh's Education Department to plan, manage and implement primary education activities including:

(a) reorganizing and strengthening its Planning and Coordination Wing;

(b) establishment within it of an effective management focus for primary education, through reorganization of administrative staff at the division and district level and improving the procedures for supervision of primary schools;

(c) strengthening its program planning and monitoring capacity, including the training of staff in collection and analysis of educational statistics; and

(d) upgrading the management skills of education administrators through a program of local and overseas training.

Part C: Improving Student Achievement

(1) Production and distribution of improved learning modules for grades 1-5, and further development, printing and distribution of student achievement tests.

(2) Implementation of measures to improve the quality and durability of primary school textbooks, including: (a) technical assistance and training for the staff of the Sindh Textbook Board and of local publishers to upgrade their skills in writing, editing, design and illustration, production, publishing and financial management; (b) pilot-testing of primary education textbook manuscripts prior to production; and (c) upgrading the physical production specifications of such textbooks.

(3) Introduction and evaluation of a program to encourage enrollment of rural girls in primary schools through the free distribution to them of textbooks.

(4) Provision of supplementary reading materials, and pilot-testing and evaluation of their procurement, distribution and management in three school districts during the period from 1990 through 1992, and subsequent distribution of such materials throughout Sindh starting with year 1993.

\* \* \*

The Program is expected to be completed by June 30, 1998.

SCHEDULE 3

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Program and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means, in respect of DEEW, an amount equivalent to \$6,000,000 to be withdrawn from the Credit Account and deposited into the DEEW Special Account, and in respect of AESPC, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited in the AESPC Special Account, all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made

exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the DEEW Special Account or the AESPC Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the relevant Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the relevant Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of either Special Account, the Borrower shall furnish to the Association requests for deposits into the relevant Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the relevant Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of either Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into Special Accounts:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount

of the Authorized Allocation for the DEEW Special Account and the AESPC Special Account.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Accounts as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of either Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the relevant Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Accounts shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in either Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

