Financing Agreement

(Securing Human Investments to Foster Transformation (SHIFT) Development Policy Financing)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
CREDIT NUMBER 6647-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 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 three hundred sixty-six million four hundred thousand Special Drawing Rights (SDR 366,400,000) (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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.03. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.

2.04. The Payment Dates are February 1 and August 1 in each year.

2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
2.06. The Payment Currency is Dollar.

2.07. 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 — EFFECTIVENESS; TERMINATION

4.01. 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.

4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.03. 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 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.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

Economic Affairs Division
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

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:

Facsimile: E-mail:
+1-202-477-6391 CMUPakistan@worldbank.org
AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF PAKISTAN

By

[Signature]
Authorized Representative

Name: Mr. Noor Ahmed
Title: Secretary
Date: 19-Jun-2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Patchamuth Illangovan
Title: Country Director
Date: 19-Jun-2020
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. The Ministry of Planning, Development and Special Initiatives has approved the policy to revamp and reform civil registration and vital statistics system.

2. (a) The Ministry of National Health Services, Regulations and Coordination has approved the essential package of health services at community and primary health care center levels; and (b) the Recipient has enabled the use of the national mechanism for pooled procurement of vaccines to continue and be reflected under recurrent budget from FY20/21 onwards.

3. The Cabinet has approved the National Education Plan 2020.

4. The Punjab Cabinet has approved the Punjab Home-Based Workers Act.

5. (a) The Cabinet has approved the cash assistance package under the Ehsaas Program in response to COVID-19 pandemic, which includes a framework for improved coordination between BISP, NADRA, PTA, and provincial governments; and (b) the BISP Board has approved the plans for: (i) national expansion of the WeT Program; and (ii) implementation of nutrition sensitive conditional cash transfer program at the federal level, as stipulated in the Ehsaas Program.

6. The BISP Board has approved revised data exchange protocols and socio-economic classification to be applied to the updated NSER data for ease of targeting by social programs, as stipulated in the Ehsaas Program.

7. The BISP Board has approved the Recertification Strategy, with clear protocols for entry and exit into the Kafalat and conditional cash transfer programs.

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:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>366,400,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>366,400,000</td>
</tr>
</tbody>
</table>

C. Deposit of Financing Amounts.

The Recipient, within thirty (30) days after the withdrawal of the Financing 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.

D. Closing Date. The Closing Date is May 31, 2021.
SCHEDULE 2

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 1 and August 1:</td>
<td></td>
</tr>
<tr>
<td>commencing August 1, 2025 to and including February 1, 2045</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing August 1, 2045 to and including February 1, 2050</td>
<td>3.40%</td>
</tr>
</tbody>
</table>

* 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. “BISP” or “Benazir Income Support Program” means an autonomous statutory authority responsible for the implementation of the Recipient’s social safety net programs, established pursuant to BISP Law.

2. “BISP Board” means the board of BISP, a decision-making body established and operating pursuant to BISP Law.


4. “Cabinet” means the Recipient’s cabinet consisting of the Prime Minister and federal ministers, or any successor thereto.


6. “Ehsaas Program” means the Recipient’s program that aims to reduce inequality, invest in people, and lift lagging district, launched by the Recipient’s Prime Minister on March 27, 2019.

7. “FY” or “Fiscal Year” means the Recipient’s fiscal year, which begins on July 1 of each calendar year and ends on June 30 of the next calendar year.


9. “Kafalat” means the Recipient’s social protection program under the Ehsaas Program that aims to ensure financial and digital inclusion of women.

10. “Ministry of Federal Education and Professional Training” means the Recipient’s ministry responsible for federal education and professional training, or any successor thereto.

11. “Ministry of National Health Services, Regulations and Coordination” means the Recipient’s ministry responsible for national health services, regulations and coordination, or any successor thereto.

12. “Ministry of Planning, Development and Special Initiatives” means the Recipient’s ministry responsible for planning, development and special initiatives, or any successor thereto.
“NADRA” or “National Database and Registration Authority” means the Recipient’s authority responsible for national database and registration, or any successor thereto.

“National Education Plan 2020” means the Recipient’s plan, prepared by the Ministry of Federal Education and Professional Training, that enables the implementation of the national education policy framework, which established a clear set of national access and learning goals, standards, measurement initiatives and programs across various school systems and provinces.

“NSER” or “National Socio-Economic Registry” means the data base established by BISP to target its support to households.

“Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated April 23, 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.

“Punjab” means the Recipient’s province of Punjab, or any successor thereto.

“Punjab Cabinet” means the cabinet of Punjab, consisting of the chief minister and provincial ministers, or any successor thereto.

“Punjab Home-Based Workers Act” means Punjab’s draft act, approved by the Cabinet on December 10, 2019, for improving working conditions for women.

“PTA” or “Pakistan Telecommunication Authority” means the Recipient’s authority responsible for the regulation of establishment, operation and maintenance of telecommunications, or any successor thereto.

“Recertification Strategy” means the strategy to reassess the eligibility status of current beneficiaries of BISP programs and allow space for new entrants.

“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.

“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.
24. “WeT Program” or “Waseela e Taleem Program” means the Recipient’s co-responsibility cash transfer program approved by BISP Board on February 19, 2012.