Financing Agreement

(Punjab Green Development Program)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

29- May 2018
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and 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, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to one hundred thirty-seven million six hundred thousand Special Drawing Rights (SDR 137,600,000) (variously, the "Credit" or the "Financing"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.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 15 and July 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 4 to this Agreement.

2.08. The Payment Currency is Dollar.

**ARTICLE III — PROGRAM**

3.01. The Recipient declares its commitment to the objectives of the Program. To this end, the Recipient shall cause the Program to be carried out by the Province of Punjab (variously “Punjab” or the “Program Implementing Entity”) in accordance with the provisions of Article V of the General Conditions, Schedules 2 and 3 to this Agreement and the Program 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 to the Government of Pakistan, Economic Affairs Division, Ministry of Finance, Revenue and Economic Affairs, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that division, acting severally.

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:

+92 (51) 910-4016

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:

    248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF PAKISTAN

By

Authorized Representative

Name: A09
Title: Secretary, GAD
Date: 29-05-2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Patchamuthu Illangovan
Title: Country Director
Date: 29-05-2018
SCHEDULE 1

Program Description

The objectives of the Program are to strengthen environmental governance and promote green investments in Punjab.

The Program consists of the following activities:

Results Area 1: Strengthening Environmental Governance

1. Modernizing the organizational structure, administrative procedures and systems of the EPD and reforming its regulatory regimes, including:
   
   (a) establishing environmental monitoring, environmental policy and environmental technology centers, including an environmental reference laboratory, and related infrastructure, equipment and/or technical assistance therefor;
   
   (b) revising existing environmental policies and standards, and developing new ones, focusing on priority pollution concerns, including: (i) revising the Environmental Protection Act; (ii) developing environmental disclosure and citizen engagement regulations; (iii) establishing a pollution releases and transfer register system and a pollution levy system, and adopting strategies for the management of air quality, water quality and waste; (iv) revising existing provincial environmental standards, developing new environmental standards for surface water bodies, noises and vibration, and soil quality, as well as industry-specific ones; and (v) carrying out environmental studies on pollution impact on public health and sustainable transport strategies;
   
   (c) revising procedures for environmental approval, environmental monitoring, environmental inspection and enforcement, environmental information disclosure, grievance redress, inter-agency information sharing, and citizen engagement; including the use of web-based platforms; and
   
   (d) developing and adopting a plastics management strategy and regulation on single-use plastics.

2. Controlling vehicle CO₂ emissions and mitigating their contribution to air pollution by: (i) expanding Punjab’s motor vehicle inspection and certification program to all Registered Motor Vehicles; and (ii) developing the institutional and regulatory framework for motor vehicles safety and emission standards.

3. Developing the technical and administrative capacity of the EPD, the Relevant Provincial Departments, other provincial agencies or Departments, and industrial
associations on environmental governance, environmental performance and green
development, including (a) providing technical assistance on knowledge
management, the carrying out of awareness raising activities and the adoption and
dissemination of RECP technologies; and (b) disclosing environmental
information and engaging the citizenry in environmental management activities.

4. Provide implementation support to EPD for the carrying out of the Program.

Results Area 2: Promoting Green Investments

1. (a) Developing a green financing strategy for Punjab and strengthening the
institutional capacity of the FD, EPD, P&DD and relevant stakeholders to assist
financial institutions in: (i) managing the environmental and climate risks
associated with their investment portfolios, promoting green investments, and
reducing the environment footprint of their operations; (ii) developing a green
SMEs commercial financing scheme; (iii) exploring opportunities to develop
public-private partnerships to finance environmental infrastructure; and (iv)
developing a set of principles for the issuance of green bonds, and/or green Islamic
bonds ("Sukuk"); and

(b) Establishing an Environmental Endowment Fund for the financing of proposal
from public and private institutions, as well as civil society, for the protection of
Punjab's environment and the advancement of vulnerable groups.

2. (a) Supporting green investment in Punjab's public sector by: (i) installing energy
efficiency light bulbs and fans in public institutions, and developing an energy
conservation and efficiency strategy and policy; (ii) carrying out studies and
developing energy consumption norms for energy intensive industrial and public
sectors; and (iii) expanding energy efficiency standards and product labelling; and

(b) Piloting low-cost wastewater treatment technologies.

3. Supporting green investments by Punjab's private sector by: (a) providing
technical and financial support (grants) to firms in priority sector in order to pilot
RECP technologies; (b) promoting commercial financing to SMEs for the adoption
of RECP mature technologies; and (c) constructing a grid connection power
substation and a sewerage collection system for the STZ; (d) providing financial
incentives for tanners to speed up their relocation to the STZ; and (e) building a
training center for tanneries in STZ, focused on the promotion of RECP
technologies and occupational health and safety practices/standards.
SCHEDULE 2

Program Execution

Section I. On-lending Arrangements

1. To facilitate the carrying out of the Program, the Recipient shall make the proceeds of the Credit available to the Program Implementing Entity under the same terms and conditions as those under which they are made available by the Association to the Recipient, and in accordance with the Recipient's on-lending and budgetary policies and procedures.

2. Notwithstanding the preceding paragraph, in the event of a conflict between the on-lending and budgetary policies and procedures of the Recipient and the provision 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, the provisions of this Agreement, including said additional instructions shall govern.

3. The Recipient shall exercise its rights under the on-lending arrangements referred to in Section I.1 of this Schedule 2 in such a manner as to protect its interest and those of the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive its rights under such arrangements.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

(a) in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

(b) involve the procurement of: (1) works, estimated to cost fifty million United States dollars (USD 50,000,000) equivalent or more per contract; (2) goods, estimated to cost thirty million United States dollars (USD 30,000,000) equivalent or more per contract; (3) non-consulting services, estimated to cost thirty million United States dollars (USD 30,000,000) equivalent or more per contract; or (4) consulting services, estimated to cost fifteen million United States dollars (USD 15,000,000) equivalent or more per contract.
Section III. **Program Monitoring, Reporting and Evaluation**

1. The Recipient shall cause the Program Implementing Entity to furnish to the Association each Program Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

2. Without limitation on the generality of the provisions of Section III.1 above, the Recipient shall cause the Program Implementing Entity to:
   
   (a) undertake, at least semi-annually, an independent verification process, in a manner and substance satisfactory to the Association, through the Independent Verification Agent(s), to ascertain whether the Disbursement Linked Indicators have been achieved for the period under review; and
   
   (b) furnish to the Association the corresponding verification reports, in form and substance acceptable to the Association, by no later than February 28 and August 31 of each calendar year of Program implementation, with the first such report scheduled for no later than February 2019.

Section IV. **Withdrawal of Financing Proceeds**

A. General

1. 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 Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Program Implementing Entity, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the Schedule 3 to this Agreement.

2. The following table specifies each category of withdrawal of the proceeds of the Financing corresponding to each Disbursement Linked Indicators ("Category"), and the allocation of the amounts of the Financing to each such Category. Notwithstanding the forgoing, the actual amounts authorized for disbursement ("Allocated Amount") and/or formula for their determination upon the achievement of an individual DLR for any given DLI financed under such Category, are set forth in Schedule 3 to this Agreement.
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI 1: Improving EPD capacity</td>
<td>17,200,000</td>
</tr>
<tr>
<td>(2) DLI 2: Air and water quality monitoring</td>
<td>20,640,000</td>
</tr>
<tr>
<td>(3) DLI 3: Disclosure of environmental information and citizen engagement</td>
<td>13,760,000</td>
</tr>
<tr>
<td>(4) DLI 4: Sound Management of Plastics</td>
<td>6,880,000</td>
</tr>
<tr>
<td>(5) DLI 5: Energy efficiency investments in the public institutions</td>
<td>13,760,000</td>
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<tr>
<td>(6) DLI 6: Vehicle compliance with emission standards</td>
<td>10,320,000</td>
</tr>
<tr>
<td>(7) DLI 7: Green investments by polluting industries</td>
<td>20,640,000</td>
</tr>
<tr>
<td>(8) DLI 8: Mobilization of sustainable green financing</td>
<td>34,400,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>137,600,000</td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

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

   (a) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR6,880,000 may be made on the basis of DLRs achieved prior to this date but on or after September 21, 2017 ("Prior Results"); and

   (b) for any DLR under Category (1) through (8) above, until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw from the proceeds of the Financing an amount not to exceed the equivalent of ten percent (10%) of the aggregate amounts allocated to Categories (1) through (8) (net of any cancellations), as advance for purposes of achieving one or more DLRs for which the Recipient and/or the Program Implementing Entity
shall subsequently furnish to the Association the evidence referred to in sub-
paragraph (b) of paragraph 1 above; provided, however, that if by the Closing Date
the Recipient has withdrawn amounts in excess of the Allocated Amounts
authorized for disbursement as per Schedule 3 to this Agreement in respect of
documented/achieved DLRs, the Recipient shall refund the amounts of such excess
to the Association promptly upon notice thereof by the Association, in order for
the Association to proceed with its cancellation.

3. Notwithstanding the provisions of Part B.1(b) of this Section, if the Association is
not satisfied that any one or more of the DLR(s) set forth in Schedule 3 to this
Agreement has/have been achieved by the date by which the said DLR(s) is/are set
to be achieved, and/or the Allocated Amount(s) for such DLR(s) has/have not been
fully withdrawn, the Association may, at any time, by notice to the Recipient,
decide, at its sole discretion, to:

(a) for DLRs #1, #2 and #3 of DLI 1; DLRs #1 and #2 of DLI 2; DLR #1 of
DLI 3; DLRs #1 and #2 of DLI 4; DLRs #1 and #2 of DLI 5; DLR #5 of
DLI 6; DLRs #1 and #2 of DLI 7; and DLR #4 of DLI 8, authorize the
withdrawal of such lesser amount of the unwithdrawn proceeds of the
Financing then allocated to the respective Categories which, in the opinion
of the Association, corresponds to the extent of achievement of said
DLR(s), said lesser amount to be calculated in accordance with the
respective formulae set out in Schedule 3 to this Agreement; and/or

(b) withhold all or a portion of the proceeds of the Financing corresponding
to the Allocated Amounts for the unmet DLR(s) until such DLR(s) is/are,
in the opinion of the Association, satisfactorily achieved; and/or

(c) reallocate all or a portion of the proceeds of the Financing corresponding
to the Allocated Amounts of the unmet DLR(s) to any other DLR(s);
and/or

(d) cancel all or a portion of the proceeds of the Financing corresponding to
the Allocated Amounts then allocated to unmet DLR(s).

4. The Closing Date is June 30, 2023.
### SCHEDULE 3

Disbursement Linked Indicators, Disbursement Linked Results and Allocated Amounts

<table>
<thead>
<tr>
<th>DISBURSEMENT LINKED INDICATORS</th>
<th>PRIOR RESULTS</th>
<th>RESULTS TO BE ACHIEVED IN FY2019 (YEAR 1)</th>
<th>RESULTS TO BE ACHIEVED IN FY2020 (YEAR 2)</th>
<th>RESULTS TO BE ACHIEVED IN FY2021 (YEAR 3)</th>
<th>RESULTS TO BE ACHIEVED IN FY2022 (YEAR 4)</th>
<th>RESULTS TO BE ACHIEVED IN FY2023 (YEAR 5)</th>
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<tbody>
<tr>
<td>1. Improving EPD's capacity</td>
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<td></td>
<td>#1. (i) EPD has approved a Policy on Controlling Smog*; and (ii) Punjab has approved EPD's restructuring plan*.</td>
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<td>#2. The EPA has carried out at least: (i) 500 inspections for industrial effluents; and (ii) 100 inspections for stack emissions in FY2021.</td>
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<td>#3. The EPA has carried out at least: (i) 2,000 inspections for industrial effluents; and (ii) 250 inspections for stack emissions in FY2023.</td>
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<tr>
<td>Allocated Amounts</td>
<td>SDR 3.44 million for target (i) above; and SDR 3.44 million for target (ii) above.</td>
<td></td>
<td></td>
<td>SDR 1.376 million upon achievement of 50% of the targeted inspections for both industrial effluents and stack emissions; and SDR 0.688 million for each additional combination of 50 industrial effluent and 10 stack emission inspections.</td>
<td></td>
<td>SDR 2.064 million upon achievement of 50% of the targeted inspections for both industrial effluents and stack emissions; and SDR 0.688 million for each additional combination of 200 industrial effluent and 25 stack emission inspections.</td>
</tr>
<tr>
<td>DISBURSEMENT LINKED INDICATORS</td>
<td>RESULTS TO BE ACHIEVED IN FY2019 (YEAR 1)</td>
<td>RESULTS TO BE ACHIEVED IN FY2020 (YEAR 2)</td>
<td>RESULTS TO BE ACHIEVED IN FY2021 (YEAR 3)</td>
<td>RESULTS TO BE ACHIEVED IN FY2022 (YEAR 4)</td>
<td>RESULTS TO BE ACHIEVED IN FY2023 (YEAR 5)</td>
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<td><strong>2. Air and water quality monitoring</strong></td>
<td></td>
<td>#1. EPA has collected hourly data from at least: (i) 10 air quality monitoring stations; and (ii) 5 water quality monitoring stations*.</td>
<td>#2. EPA has collected data hourly from at least: (i) 30 air quality monitoring stations; and (ii) 15 water quality monitoring stations*.</td>
<td>#3. EPD's Environmental Monitoring Center has become operational*.</td>
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<tr>
<td><strong>Allocated Amounts</strong></td>
<td>SDR 3.44 million for target (i) above; and SDR 3.44 million for target (ii) above.</td>
<td>SDR 3.44 million for target (i) above; and SDR 3.44 million for target (ii) above.</td>
<td>SDR 6.88 million</td>
<td></td>
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<tr>
<td><strong>3. Disclosure of environmental information and citizen engagement</strong></td>
<td>#1. EPD has adopted: (i) regulation on information disclosure and citizen engagement; and (ii) a health advisory system for critical air pollution events targeting vulnerable population groups*.</td>
<td>#2. EPD has: (i) published the first State of Punjab's Environmental Report covering calendar year 2020; and (ii) carried out related stakeholder consultations*.</td>
<td>#3. EPD has: (i) published the second State of Punjab's Environmental Report covering calendar year 2021; and (ii) carried out related stakeholder consultations*.</td>
<td>#4. EPD has: (i) published the third State of Punjab’s Environmental Report covering calendar 2022, and (ii) carried out related stakeholder consultations*.</td>
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<tr>
<td><strong>Allocated Amounts</strong></td>
<td>SDR 3.44 million for target (i) above; and SDR 3.44 million for target (ii) above.</td>
<td></td>
<td>SDR 2.064 million</td>
<td>SDR 2.752 million</td>
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<tr>
<td>DISBURSEMENT LINKED INDICATORS</td>
<td>PRIOR RESULTS</td>
<td>RESULTS TO BE ACHIEVED IN FY2019 (YEAR 1)</td>
<td>RESULTS TO BE ACHIEVED IN FY2020 (YEAR 2)</td>
<td>RESULTS TO BE ACHIEVED IN FY2021 (YEAR 3)</td>
<td>RESULTS TO BE ACHIEVED IN FY2022 (YEAR 4)</td>
<td>RESULTS TO BE ACHIEVED IN FY2023 (YEAR 5)</td>
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<tr>
<td>4. Sound Management of Plastics</td>
<td></td>
<td>#1 EPD has adopted: (i) a plastics management strategy, and (ii) regulation on the production and consumption of single-use plastics.*</td>
<td>#2. EPD has carried out province-wide public communication campaigns with non-governmental organizations to reduce product and consumption of single-use plastics.*</td>
<td></td>
<td>#3. EPD has implemented at least 50% of the initiatives for reducing the production and consumption of single-use plastics set forth in the adopted plastics strategy and/or regulation.*</td>
<td></td>
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<tr>
<td><strong>Allocated Amounts</strong></td>
<td></td>
<td>SDR 0.688 million for target (i) above; and SDR 1.376 million for target (ii) above.</td>
<td>SDR 0.688 million per communication campaign up to a maximum of SDR 1.376 million</td>
<td></td>
<td></td>
<td>SDR 3.44 million</td>
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<tr>
<td>5. Energy efficiency investments in the public institutions</td>
<td></td>
<td>#1. Punjab has saved at least 5 GWh by installing energy efficient lighting and fans in public institutions, financed by PEECA.*</td>
<td>#2. Punjab has saved at least 20 GWh by installing energy efficient lighting and fans in public institutions, financed by PEECA.*</td>
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<tr>
<td><strong>Allocated Amounts</strong></td>
<td></td>
<td>SDR 3.44 million upon achievement of threshold, and SDR 0.344 million for each additional 1 GWh</td>
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<tr>
<td>DISBURSEMENT LINKED INDICATORS</td>
<td>PRIOR RESULTS</td>
<td>RESULTS TO BE ACHIEVED IN FY2019 (YEAR 1)</td>
<td>RESULTS TO BE ACHIEVED IN FY2020 (YEAR 2)</td>
<td>RESULTS TO BE ACHIEVED IN FY2021 (YEAR 3)</td>
<td>RESULTS TO BE ACHIEVED IN FY2022 (YEAR 4)</td>
<td>RESULTS TO BE ACHIEVED IN FY2023 (YEAR 5)</td>
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<tr>
<td>6. Vehicle compliance with emission standards</td>
<td></td>
<td>saved up to a maximum of SDR 6.44 million</td>
<td></td>
<td>#1. At least 5% of the Registered Motor Vehicles have valid emission certificates under the MVICS program. *</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocated Amounts</td>
<td></td>
<td></td>
<td></td>
<td>SDR3.44 million upon achievement of target and SDR0.688 million for each additional one percent (1%) ratio.</td>
<td></td>
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<tr>
<td>7. Green investments by polluting industries</td>
<td></td>
<td></td>
<td>#1. EPD has provided grant support to SMEs in at least three (3) industrial sectors to pilot new RECP technologies. *</td>
<td></td>
<td>#2. SMEs supported by the Program have invested at least USD 6 million equivalent in RECP technologies. *</td>
<td></td>
</tr>
<tr>
<td>Allocated Amounts</td>
<td></td>
<td></td>
<td>SDR6.88 million upon achievement of threshold, and SDR 2.064 million for each additional sector receiving EPD's financial support.</td>
<td></td>
<td>SDR6.88 million upon achievement of threshold, and SDR 0.688 million for each additional USD 0.5 million equivalent.</td>
<td></td>
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</tbody>
</table>
**DISBURSEMENT LINKED INDICATORS**

<table>
<thead>
<tr>
<th>DISBURSEMENT-LINKED RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRIOR RESULTS</strong></td>
</tr>
<tr>
<td><strong>8. Mobilizing sustainable green financing</strong></td>
</tr>
<tr>
<td><strong>Allocated Amounts</strong></td>
</tr>
</tbody>
</table>

*These DLRs are not time-bound. The Years in which they are expected to be achieved as per this Schedule are strictly for indicative purposes. These DLRs can accordingly be met up and until the Closing Date.
SCHEDULE 4

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 January 15 and July 15:</td>
<td></td>
</tr>
<tr>
<td>commencing July 15, 2023 to and including January 15, 2043</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing July 15, 2043 to and including January 15, 2048</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. "Allocated Amounts" means the amount allocated to each individual DLR, or determined for each DLR pursuant to the respective formula detailed in Schedule 3 to this Agreement, as such amount might be increased, reallocated and/or cancelled (whether partially or in its entirety) by the Association, from time to time as the case may be, in accordance with the provisions of Section IV.B.2 of Schedule 2 to this Agreement.


3. "Anti-Corruption Protocol" means the protocol for coordination and cooperation in the implementation of the Anti-Corruption Guidelines agreed between the Program Implementing Entity and the Association, and referred to in Section I.G of the Schedule to the Program Agreement, as the same may be amended from time to time by mutual agreement between the Program Implementing Entity and the Association.

4. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

5. "CO₂" means carbon dioxide.

6. "Department" means an administrative subdivision of Punjab’s provincial government.

7. "Disbursement Linked Indicator" or "DLI" means each of the disbursement-linked indicators set forth in the first column of the table provided in Schedule 3 to this Agreement.

8. "Disbursement Linked Result" or "DLR" means each of the disbursement-linked targets/results set forth in Schedule 3 to this Agreement in the columns entitled "Prior Results", "Results to be Achieved in FY2019 (Year 1)", "Results to be Achieved in FY2020 (Year 2)", "Results to be Achieved in FY2021 (Year 3)", "Results to be Achieved in FY2022 (Year 4)" or "Results to be Achieved in FY2023 (Year 5)", as applicable. For avoidance of doubt, the years stated in the respective columns as temporal references for the achievement of any such DLRs are provided for indicative purposes only, and unless otherwise expressly or implicitly required by the wording of a given DLR, the DLRs can be achieved in advance or after such indicative period.
9. "ED" means the Punjab's Energy Department.

10. "Environmental Endowment Fund" means the environmental endowment funds to be established pursuant to Results Area 2.1(b) and referred to in Section 9 of the Environmental Protection Act.

11. "Environmental Monitoring Center" means EPD's environmental and monitoring center, to be established under the Program (i.e. Results Area #1 para. 1(a)) comprised of a network of fixed and mobile air and water quality monitoring stations and an environmental reference laboratory, responsible for the collection processing and analysis of data on air and water pollution levels.


13. "EPA" means Punjab's Environmental Protection Agency, operating under the aegis of the EPD, and established pursuant to Section/Article 5 of the Environmental Protection Act.

14. "EPD" means Punjab's Environmental Protection Department.

15. "FD" means Punjab's Finance Department.

16. "Fiscal Year" or "FY" means the Recipient's and the Program Implementing Entity's fiscal year, commencing on July 1st of each calendar year, and concluding on June 30th of the following calendar year.


23. “GWh” means Gigawatt hour.

24. “Independent Verification Agent(s)” means the DLI/DLR verification consulting firm(s) to be selected and hired by the Program Implementing Entity pursuant to Section I.F of the Schedule to the Program Agreement.

25. “MVICS” means a motor vehicle inspection and certification system (to be) adopted by the TD measuring and ensuring vehicles compliance with local safety and emission standards.

26. “P&DD” means the Punjab’s Planning and Development Department.

27. “PCU” means the Program coordination unit to be established within the P&DD pursuant to sub-paragraph (b) of Section I.B. of the Schedule to the Program Agreement.

28. “PDU” means each of the Program delivery units to be nominated by the Relevant Provincial Departments pursuant to sub-paragraph (d) of Section I.B. of the Schedule to the Program Agreement.


30. “PKR” means Pakistan Rupees, the lawful currency of the Recipient.


32. “Prior Results” means each of the DLRs set forth in the second column of the table provided in Schedule 3 to this Agreement, which results shall be/have been achieved on or after September 21, 2017, but prior to the Signature Date.

33. “Program Action Plan” means the Program Implementing Entity’s plan dated April 20, 2018 and referred to in Section I.E of the Schedule to the Program Agreement, as may be amended from time to time with the agreement of the Association.

34. “Program Expenditures” means the payments for goods, works, services and salaries made, and/or loans and/or grants provided, by the EPD, P&DD or any Relevant Provincial Departments under the following budget items (and/or any other additional budget items agreed in writing by the Association):

(a) for the ED: GS. No. #8254;

(b) for the EPD: GS No. #9293; #9291; #9282; #9287; #9284; #9292; and #9289; and
35. "Program Implementing Entity" means Punjab.


37. "RECP" means resource-efficient and cleaner production solutions or technologies.

38. "Registered Motor Vehicles" means the vehicles registered with, and paying token tax to, the Punjab Excise and Taxation Department.

39. "Relevant Provincial Departments" means, collectively, the ED, FD, and TD.

40. "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.

41. "SMEs" means small and medium enterprises which employ not more than two hundred and fifty (250) persons and have annual sales turnover of up to PKR250 million as these variables may be amended from time to time, with the prior written concurrence of the Association.

42. "SPIU" means the strategic planning and implementation unit to be established within the EPD pursuant to sub-paragraph (c) of Section I.B. of the Schedule to the Program Agreement.

43. "STAGL" means the Sialkot Tannery Association (Guarantee) Ltd., a corporation established on June 24, 2004, registered under the Recipient's Companies Ordinance 1984 (XLVII of 1984) and operating under the Recipient's Companies Act, 2017 (Act XIX of 2017) pursuant to the Company Reg. No. 13621/20040602.

44. "State of Punjab Environmental Report" means the Program Implementing Entity's report to be prepared on annual basis by EPD covering, inter alia: (a) an assessment of air, surface and groundwater, and soil quality in Punjab, as extracted from the available monitoring data; (b) an assessment of pollution sources that contribute to air, water and soil pollution, including a summary inventory of pollutants detailing time and intensity thereof; (c) an assessment of environmental performance of waste water treatment facilities and solid waste management facilities in Punjab; (d) a detail of the measures taken to control the pollution and improve environmental quality in Punjab; (e) a summary of environmental complaints received classified by type of environmental issue, as well as actions taken in respect thereof; (f) a synthesis of the public feedback received on the report and EPD's responses thereto; and (g) Punjab's proposed environmental action plan for the following fiscal/calendar year(s).
45. "Steering Committee" means the committee to be established by the P&DD pursuant to sub-paragraph (a) of Section I.B. of the Schedule to the Program Agreement.

46. "STZ" means the 384-acres Sialkot Tannery Zone, established at Khambran Wala, in the Sialkot District of Punjab, and administered by STAGL.

47. "Sukuk" means financial instruments (documents or certificates), subject to Shari'ah principles, evidencing the undivided pro-rata ownership of underlaying assets related to specific projects or investment activities (a.k.a. Islamic bonds).

48. "TD" means the Punjab’s Transport Department.

49. "Year 1" means FY2019.

50. "Year 2" means FY2020.

51. "Year 3" means FY2021.

52. "Year 4" means FY2022.

53. "Year 5" means FY2023.

54. "Years" means collectively two or more of the Years 1 through 5, as the case may be.