Financing Agreement

(Second Partnership for Polio Eradication Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting in its own capacity and as Administrator of the Global Program To Eradicate Poliomyelitis Trust Funds)

Dated February 17, 2006
FINANCING AGREEMENT

AGREEMENT, dated February 17, 2006, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION acting in its own capacity and as administrator of the Global Program to Eradicate Poliomyelitis Trust Funds (the “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) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Financing 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty two million nine hundred thousand Special Drawing Rights (SDR32,900,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”);

2.02. The Recipient may withdraw the proceeds of the Credit in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

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

2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is United States Dollars.

2.08. The Association shall:
(a) as administrator of the Global Program to Eradicate Poliomyelitis Trust Funds and on behalf of the Recipient, pay all commitment charges and service charges, as they fall due under this Agreement, until the earlier of: (i) the date of the Assignment and Release Agreement; or (ii) the Buy-Down Completion Date;

(b) acting in its own capacity and following the Assignment Trigger, assign its rights, title and interest in the debt payable by the Recipient under this Agreement to the Association as administrator of the Trust Funds in return for receipt of the Repayment Amount, by concluding an Assignment and Release Agreement with the Recipient and the Association as administrator of the Trust Funds, substantially in the form of Schedule 4 to this Agreement; and

(c) acting in its own capacity, cancel the indebtedness of the Recipient under this Agreement, through the assignment of the principal amount of the Credit to the Association as administrator of the Trust Funds in the manner specified in Section 2.08(b).

ARTICLE III - PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension is that a situation has arisen which makes it improbable that PEI, or a significant part thereof, will be carried out.

ARTICLE V – EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness is that the OPV Procurement Agreement has been executed and delivered by the Recipient and UNICEF, and all conditions precedent to its effectiveness, except only the effectiveness of the Financing Agreement, have been fulfilled.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
5.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of that Division.

6.02. The Recipient’s Address is:

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

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

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Khalid Saeed

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting in its own capacity and as Administrator of the Global Program To Eradicate Poliomyelitis Trust Funds)

By /s/ John Wall

Country Director
Pakistan
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in its efforts under its Polio Eradication Initiative (PEI) to eradicate polio from its territory.

The Project consists of the following part:

Part 1: Procurement and Use of Oral Polio Vaccine (OPV)

Provision and use of OPV for purposes of immunizing children under five (5) years of age under the Supplemental Immunization Activities (SIAs).
Section I. Institutional and Other Arrangements

1. The Recipient shall, throughout the period of implementation of the Project, maintain at the national level (including for ICT and FANA), the Inter-Agency Coordination Committee, at the level of the Provinces, AJK and FATA, provincial coordination committees, and at the district level, district coordination committees, all as established under PEI to be responsible within their respective territories for the coordination of OPV supply as well as the planning, implementation and monitoring of PEI activities under the Project.

2. The Recipient shall ensure that: (a) supplemental immunization activities (SIAs) organized under PEI will be carried out with due diligence and efficiency; and (b) the disease surveillance systems established under PEI will be maintained, all throughout the period of Project implementation.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Upon the Association’s request, the Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period indicated in the Association’s request. The audited Financial Statements for each
such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods. All goods required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines.

B. Particular Methods of Procurement of Goods

The following method of procurement may be used for goods:

Procurement from United Nations Agencies: OPV shall be procured from UNICEF in accordance with the provisions of paragraph 3.9 of the Procurement Guidelines. Such procurement may include large quantities.

C. Review by the Bank of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contract shall be subject to Prior Review:

The OPV Procurement Agreement.

Section IV. Withdrawal of the Proceeds of the Credit

A. General

The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of Article II of the General Conditions and of this Section and such additional instructions as the Association shall specify by notice to the Recipient, to finance 100% of Eligible Expenditures.
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2008.
**SCHEDULE 3**

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 February 1, 2016 to and including August 1, 2025</td>
<td>1.25%</td>
</tr>
<tr>
<td>Commencing February 1, 2026 to and including August 1, 2040</td>
<td>2.5%</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 3.03(b) of the General Conditions.*
SCHEDULE 4

Form of Assignment and Release Agreement

Assignment and Release Agreement

AGREEMENT, dated February 17, 2006, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) in its own capacity and as administrator of the Global Program to Eradicate Poliomyelitis Trust Funds.

WHEREAS (A) the Recipient has been determined to be eligible for assistance from the Global Program to Eradicate Poliomyelitis Trust Funds (the Trust Funds) upon successful completion of the Second Partnership for Polio Eradication Project (the Project) as described in Schedule 1 to the Financing Agreement between the Recipient and the Association dated February 17, 2006, (the Financing Agreement), through the transfer of the principal amount of the Credit to the Association as administrator of the Trust Funds, and for the cancellation of such debt by the Association as administrator of the Trust Funds;

(B) the Association has received a certificate from the World Health Organization (the WHO Certificate) stating that the Project has been successfully carried out;

(C) upon payment of the Repayment Amount, the Association is prepared to transfer its claim for payment under the Financing Agreement to the Association as administrator of the Trust Funds, following which the Association, as administrator of the Trust Funds, shall cancel such claims and release and discharge the Recipient from such debt.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Financing Agreement, in the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.
ARTICLE II

Assignment

Section 2.01. In consideration of the payment of the Repayment Amount of forty-six million seven hundred thousand United States Dollars (US $46,700,000), receipt of which is hereby acknowledged, the Association hereby transfers, assigns and sets over the debt due under the Financing Agreement and all the Association’s rights, title and interest therein to the Association as administrator of the Trust Funds, and its successors and assigns, to have and to hold, absolutely and forever.

Section 2.02. Notwithstanding the transfer and assignment of the debt due under the Financing Agreement to the Association as administrator of the Trust Funds, the Association acknowledges and agrees that the Association as administrator of the Trust Funds, does not assume and shall not be responsible for any of the liabilities or obligations of the Association under, or in respect of, the Financing Agreement.

ARTICLE III

Representations and Warranties

Section 3.01. The Association hereby represents and warrants that:

(a) it is the sole beneficial owner of the debt due under the Financing Agreement with good and marketable title thereto free and clear of any liens, mortgages, security interests, charges, encumbrances or rights of others (except for the rights of the Association as administrator of the Trust Funds under this Agreement) and is exclusively entitled to possess and dispose of the debt due under the Financing Agreement in accordance with this Agreement;

(b) it has all necessary power and authority to enter into, execute and deliver this Agreement and to carry out its obligations hereunder;

(c) the execution and delivery of this Agreement and the consummation of the transactions evidenced and contemplated hereby or hereunder have been duly authorized by all necessary action on its part;

(d) this Agreement constitutes its valid and binding agreement and obligation enforceable and effective in accordance with its terms; and

(e) the performance of its obligations under this Agreement does not and will not conflict with: (i) any applicable law or regulation or any judicial order in effect at the date hereof; (ii) its constitutive documents; or (iii) any agreement or document to which it is a party or which is binding on it.
Section 3.02. The Recipient represents and warrants that:

(a) it is indebted to the Association in the principal amount specified in the Financing Agreement, together with all charges accrued and unpaid thereon;

(b) its liabilities in respect of the debt due under the Financing Agreement are not subject to reduction or diminution in any manner whatsoever including, without limitation, by way of set-off, compensation, counterclaim, defense, damages or otherwise; and

(c) it hereby consents to the transfer and assignment of the debt due under the Financing Agreement to the Association, as administrator of the Trust Funds, pursuant to this Agreement.

ARTICLE IV

Release

Section 4.01. The Association, as administrator of the Trust Funds, having become the owner under this Agreement of the debt due under the Financing Agreement, hereby irrevocably and unconditionally releases and forever discharges the Recipient from any and all liabilities and payment obligations of whatsoever nature, whether present or future, arising in relation to the debt due under the Financing Agreement, all of which are hereby irrevocably cancelled.

ARTICLE V

Enforceability of Agreement; Failure to Exercise Rights; Arbitration

Section 5.01. The rights and obligations of the Recipient and the Association under this Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any State or political subdivision thereof to the contrary. Neither the Recipient nor the Association shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Association.

Section 5.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 5.03. (a) Any controversy between the parties to this Agreement, and any claim by either such party against the other party arising under this Agreement which has
not been settled by agreement of the parties shall be submitted to arbitration by an
Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Association and the Recipient.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as
follows: one arbitrator shall be appointed by the Association, a second arbitrator shall be
appointed by the Recipient, and the third arbitrator (hereinafter sometimes called the
Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the
President of the International Court of Justice or, failing appointment by said President,
by the Secretary-General of the United Nations. If either of the parties shall fail to
appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any
arbitrator appointed in accordance with this Section shall resign, die or become unable to
act, a successor arbitrator shall be appointed in the same manner as herein prescribed for
the appointment of the original arbitrator, and such successor shall have all the powers
and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon
notice by the party instituting such proceeding to the other party. Such notice shall
contain a statement setting forth the nature of the controversy or claim to be submitted to
arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the
party instituting such proceeding. Within thirty days after such notice, the other party
shall notify to the party instituting such proceeding the name of the arbitrator appointed
such other party.

(e) If within sixty (60) days after the notice instituting the arbitration
proceeding, the parties shall not have agreed upon an Umpire, either party may request
the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be
fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it
shall sit.

(g) The Arbitral Tribunal shall decide all questions relating to its
competence and shall, subject to the provisions of this Section and except as the parties
shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall
be by majority vote.

(h) The Arbitral Tribunal shall afford to all parties a fair hearing and shall
render its award in writing. Such award may be rendered by default. An award signed by
a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed
counterpart of the award shall be transmitted to each party. Any such award rendered in
accordance with the provisions of this Section shall be final and binding upon the parties
to this Agreement. Each party shall abide by and comply with any such award rendered
by the Arbitral Tribunal in accordance with the provisions of this Section.
(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall each defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions of arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to this Agreement or of any claim by either party against the other party arising hereunder.

(k) The Association shall not be entitled to enter judgment against the Recipient upon the award, to enforce the award against the Recipient by execution or to pursue any other remedy against the Recipient for the enforcement of the award, except as such procedure may be available against the Recipient otherwise than by reason of the provisions of this Section. If, within thirty (30) days after counterparts of the award shall have been delivered to the parties, the award shall not be complied with by the Association, the Recipient may take any such action for the enforcement of the award against the Association.

(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section shall be made in the manner provided in Section 6.01 of this Agreement. The parties to this Agreement waive any and all other requirements for the service of any such notice or process.

ARTICLE VI

Miscellaneous

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party’s address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:
Section 6.02. This Agreement may be executed in several counterparts, each of which shall be an original.

Section 6.03. This Agreement shall become effective upon its execution by the parties.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Khalid Saeed

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting in its own capacity and as Administrator of the Global Program To Eradicate Poliomyelitis Trust Funds)

By /s/ John Wall

Country Director
Pakistan
APPENDIX

Definitions


2. “Assignment and Release Agreement” means the agreement referred to in Section 2.08 of this Agreement, to be entered into between the Recipient and the Association (in its own capacity and as administrator of the Trust Funds) upon the successful completion of the Project.

3. “Assignment Trigger” means the receipt by the Association of the WHO Certificate (as hereinafter defined), satisfactory to the Association.


5. “Buy-Down” means the transfer of the principal amount of the Credit to the Association as administrator of the Trust Funds under and in accordance with this Agreement.

6. “Buy-Down Completion Date” means the date on which the Buy-Down takes place and shall be a date not later than six (6) months after the Closing Date.

7. “FANA” means the Federally Administered Northern Areas of the Recipient.

8. “FATA” means the Federally Administered Tribal Areas of the Recipient.


10. “Global Program to Eradicate Poliomyelitis Trust Funds” means the Trust Funds consisting of funds contributed or to be contributed by the Bill and Melinda Gates Foundation and the United Nations Foundation, and administered by the Association, to provide relief on debt incurred in eradicating polio.

11. “ICT” means the Islamabad Capital Territory administered by the Recipient.

12. “NIDs” or “National Immunization Days” means the dates selected under PEI for the nationwide administration of OPV.

13. “NWFP” means the North West Frontier Province of the Recipient.

15. “OPV Procurement Agreement” means the Agreement to be entered into between the Recipient and UNICEF, in form and substance satisfactory to the Association, for the procurement of OPV under the Project.

16. “Polio Eradication Initiative” or “PEI” means the Recipient’s initiative to eradicate polio, which consists of: (i) the procurement and supply of OPV; (ii) the use of such OPV for purposes of conducting SIAs (as hereinafter defined); and (iii) the implementation of a disease surveillance system to detect cases or outbreaks of polio, and the monitoring and evaluation of SIAs.

17. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.


20. “Repayment Amount” means the amount to be paid to the Association under Section 2.08(b) of this Agreement, which amount shall be calculated by the Association, based on prevailing exchange and interest rates at the time the Financing Agreement is signed, as the United States Dollar equivalent of the net present value of the principal repayments due by the Recipient under Section 2.05 of this Agreement. To determine the net present value, the discount rate shall be an SDR-basket rate for maturities greater than 8.5 years calculated using the Commercial Interest Reference Rates (CIRR) published by the Organization for Economic Cooperation Development (OECD) for the component currencies of the SDR. Notwithstanding the foregoing, in the event that there are insufficient funds in the Trust Funds to pay the Repayment Amount as so calculated, the Repayment Amount shall be an amount equal to the amount of funds available in the Trust Funds for such purpose.

21. “SIAs” means the Recipient’s supplementary immunization activities consisting of NIDs, SNIDs and mop-up operations conducted under PEI.

22. “Sindh” means the province of Sindh of the Recipient.

23. “SNIDs” or “Sub-National Immunization Days” means the dates selected under PEI for the administration of OPV in selected areas.


25. “WHO” means World Health Organization, the United Nations specialized agency for health established on April 7, 1948.
26. “WHO Certificate” means the certificate to be furnished by WHO to the Association stating that the Project has been successfully carried out based upon the results of an independent performance audit of the Project conducted by WHO, all in accordance with the letters dated March 3, 2003, and March 13, 2003, exchanged between the Association and WHO.