Financing Agreement

(Electricity Distribution and Transmission Improvement Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 14, 2008
FINANCING AGREEMENT

AGREEMENT dated July 14, 2008, entered into between ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

Whereas the Recipient has requested the Bank to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Recipient and the Bank ("Loan Agreement"), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to one hundred seventy three million six hundred thousand United States dollars (USD173,600,000) ("Loan").

Whereas the Recipient and the Association intend, to the extent practicable, that the proceeds of Financing and the Loan will be disbursed in the following order on account of expenditures in respect of the Project: first proceeds of Portion B of the Credit (defined below), followed by proceeds of Portion A of the Credit (defined below), and finally proceeds of the Loan.

Now therefore, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006) constitute an integral 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 Loan 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 two portions as follows to assist in the financing of the project described in Schedule 1 to the Loan Agreement:

(a) an amount equivalent to eighteen million seven hundred thousand Special Drawing Rights (SDR 18,700,000) ("Portion A of the Credit"); and
2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to the Loan Agreement. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Chief Executive Officer of the Project Implementing Entity.

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 Recipient shall pay the Association interest on the amount of Portion A of the Credit withdrawn and outstanding from time to time at a rate equal to four and one fifth of one percent (4.20%) per annum. Such interest shall accrue from the respective dates on which the amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Such interest shall be computed on the basis of a 360-day year of twelve 30-day months.

2.06. The Payment Dates are March 15 and September 15 in each year.

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

2.08. The Payment Currency is United States Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out its Respective Parts of the Project through PEPCO, and cause the Project Implementing Entities to carry out their Respective Parts of the Project, all in accordance with the provisions of Article IV of the General Conditions and each respective Project Implementing Entity’s Project Agreement.

3.02. (a) 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 the Loan Agreement
which are incorporated into this Financing Agreement with the following
modifications to said Schedule 2 (but excepting the table in paragraph 2
of Section IV.A and Section IV.B, which remain unchanged) unless the
context otherwise requires:

(i) the term “Bank” shall be read as “Association”;
(ii) the term “Loan” shall be read as “Credit” or “Financing”;
(iii) the term “Borrower” shall be read as “Recipient”;
(iv) the term “General Conditions” shall be read as the “International
  Development Association General Conditions for Credits and
  Grants”, dated July 1, 2005 (as amended through October 15,
  2006)” and its corresponding Sections with the following
  revisions:

(A) in section II.A, all references to Section 5.08 and
    Section 5.08(c) of the General Conditions shall be
    deemed to refer to Section 4.08 and Section 4.08(c)
    respectively of the General Conditions;

(B) in section II.B, all references to Section 5.09 and
    Section 5.09(b) of the General Conditions shall be
    deemed to refer to Section 4.09 and Section 4.09(b)
    respectively of the General Conditions;

(C) in section V, paragraph 2, the reference to Section 5.03
    of the General Conditions shall be deemed to refer to
    Section 4.03 of the General Conditions; and

(v) the term “this Agreement” or “the Loan Agreement” shall be
    read as “the Financing Agreement”.

(b) So long as any part of the Loan provided for under the Loan Agreement
shall remain outstanding and unless the Recipient has been notified
otherwise by the Bank:

(i) all actions taken, including approvals given, by the Bank
    pursuant to any of the Sections of, and Schedules to, the Loan
    Agreement enumerated in paragraph (a) of this Section shall be
    deemed to be taken or given in the name and on behalf of both
    the Bank and the Association; and
(ii) all information or documentation furnished by the Borrower or Recipient to the Bank pursuant to the provisions of any of such Sections of the Loan Agreement or Schedules thereto shall be deemed to be furnished to both the Bank and the Association.

(c) If the Loan Agreement terminates prior to the termination of this Agreement, the provisions of the Loan Agreement referred to in this Agreement shall continue in full force and effect between the Recipient and the Association.

ARTICLE IV — EFFECTIVENESS

4.01. The Additional Condition of Effectiveness consists of the following, namely, that all conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Borrower’s Economic Affairs Division, acting individually.

5.02. The Recipient’s Address is:

Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamic Republic of Pakistan
Islamabad, Pakistan

Phone: 92-51-9203815
Facsimile: 92-51-9218976

5.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.

AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Junaid Iqbal Ch.
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yusupha B. Crookes
Authorized Representative
## SCHEDULE

### Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
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<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2018 to and including March 15, 2028</td>
<td>1.25%</td>
</tr>
<tr>
<td>commencing September 15, 2028 to and including March 15, 2043</td>
<td>2.5%</td>
</tr>
</tbody>
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* 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.