Dr. Waqar Masood Khan  
Secretary to the Government of Pakistan  
Economic Affairs Division  
Ministry of Economic Affairs and Statistics  
Islamabad, Pakistan

Re: Pakistan: Water Sector Capacity Building and Advisory Services Project  
(Cr. No. 4437-PK)  
Amendment to Financing Agreement

Dear Dr. Khan:

We refer to the Financing Agreement dated July 14, 2008 between the Islamic Republic of Pakistan (the Recipient) and the International Development Association (the Association) for the above-referenced project (the Project) (the Agreement) and your letter dated February 14, 2012 requesting an amendment to the Agreement.

We are pleased to inform you that the Association agrees to amend the Agreement accordingly and proposes to do so as set forth herein below:

1. Part A.3 of Schedule 1 is amended to read as follows:

   "3. Strengthening the capacity of IPDF to develop financing strategies for water sector programs and hydropower infrastructure and to provide advice to the Recipient on financial, fiscal, legal and regulatory matters by creating special Multipurpose Water Reservoir Financing Cell (MWRFC) in IPDF."

2. Part C of Schedule 1 is amended to read as follows:

   "1. Strengthening the institutional capacity of the PMPIU, IRSA, WAPDA, PC, and IPDF for: (i) the day-to-day implementation of the Project, including the technical coordination of Project activities, compliance with financial and procurement management, and monitoring, evaluation, supervision and reporting requirements; and (ii) the carrying out of strategic studies, training, and workshops in the areas of design of water / power infrastructure, construction codes and standards, power planning, water quality, contract administration/ management and supervision, sector-related legal, environmental, social concerns, including the promotion of a center of excellence for post graduate training in research, study tours and short term international assignments for young staff.

2. Strengthening the capacity of Federal Flood Commission (FFC) in developing and implementing a comprehensive flood management plan under PMPIU."
3. The table in Section IV.A.2 of Schedule 2 is amended to read as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Expenditures for goods and works under the following incurred prior to the date of countersignature of this amendment letter:</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>(a) Parts A.1 and C of the Project</td>
<td>86,000</td>
<td></td>
</tr>
<tr>
<td>(b) Part A.2 of the Project</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>(c) Part B of the Project</td>
<td>215,000</td>
<td></td>
</tr>
<tr>
<td>(2) Expenditures for consultants’ services under the following incurred prior to the date of countersignature of this amendment letter:</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>(a) Part A of the Project</td>
<td>650,000</td>
<td></td>
</tr>
<tr>
<td>(b) Part B (i) of the Project</td>
<td>265,000</td>
<td></td>
</tr>
<tr>
<td>(c) Parts B (ii)-(iv) of the Project</td>
<td>5,965,000</td>
<td></td>
</tr>
<tr>
<td>(d) Part C of the Project</td>
<td>366,000</td>
<td></td>
</tr>
<tr>
<td>(3) Expenditures for Incremental Operating Costs under the following incurred prior to the date of countersignature of this amendment letter:</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>(a) Part A of the Project</td>
<td>82,000</td>
<td></td>
</tr>
<tr>
<td>(b) Part B of the Project</td>
<td>143,000</td>
<td></td>
</tr>
<tr>
<td>(c) Part C of the Project</td>
<td>228,000</td>
<td></td>
</tr>
<tr>
<td>(4) Expenditures for Training under the Project incurred prior to the date of countersignature of this amendment letter</td>
<td>193,000</td>
<td>100</td>
</tr>
<tr>
<td>(5) Expenditures for goods, works, consultants’ services, Training, and Incremental Operating Costs under the Project incurred on or after the date of countersignature of this amendment letter</td>
<td>15,201,000</td>
<td>100</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>23,400,000</td>
<td></td>
</tr>
</tbody>
</table>

4. New paragraphs 21, 22, and 23 are introduced in the Appendix as follows, and subsequent paragraphs renumbered accordingly:

"21. “Training” means the costs of training under the Project, based on the annual work programs referred to in Section II.A.2 of Schedule 2 to this Agreement as approved by the Association, and attributable to seminars, workshops, and study tours, along
with domestic and international travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

22. “MWRFC” means a special Multipurpose Water Reservoir Financing cell in IPDF tasked with developing financing strategies for water sector program.

23. “FFC” means Federal Flood Commission and mandated with the preparation of flood protection plans for the country.”

All other provisions of the Agreement, except as specifically amended by this letter of amendment, remain in full force and effect.

Please confirm your agreement to the foregoing by signing the form of confirmation set forth below, and returning one fully executed original of this amendment letter to us and retaining one original for your records. This amendment letter shall become effective as of the date of countersignature.

Sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]
Rachid Benmessaoud
Country Director, Pakistan
South Asia Region

CONFIRMED and AGREED
ISLAMIC REPUBLIC OF PAKISTAN

By: ____________________________
Name: DR. WAQAR MASOOD KHAN
Title: Secretary
Economic Affairs Division
Government of Pakistan
Islamabad
Date: 12th April, 2012
Cc:
- Mr. Shakil Durrani, Chairman, Water and Power Development Authority (WAPDA)
- Mr. Asjad Imtiaz Ali, Project Director, Water Sector Capacity Building and Advisory Services Project, Ministry of Water and Power
- Mr. Naseer Gillani, Chief (Water), Planning Commission
- Syed Mazhar Ali Shah, Chairman, Indus River System Agency (IRSA)
- Mr. Adil Anwar, Chief Executive Officer, Infrastructure Project Development Facility (IPDF)