Financing Agreement

(Additional Financing for FATA Temporarily Displaced Persons Emergency Recovery Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
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 additional financing for the Original Project (as defined in the Appendix to this Agreement). 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 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, a credit in an amount equivalent to eighty-one million Special Drawing Rights (SDR 81,000,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.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 March 15 and September 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 3 to this Agreement.

2.08. The Payment Currency is Dollars.

**ARTICLE III — PROJECT**

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall, under the overall coordination of EAD:

(a) carry out Components 1 and 2 of the Project through EAD with the assistance of:

(i) DoH for the delivery of the Child Wellness Services associated with the Child Wellness Grants; and

(ii) Payment Agents for the disbursement of the Cash Grants and the Project Implementing Entity for the verification of eligibility and related technical aspects of the Cash Grants; and

(b) cause Component 3 of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement;

all under the terms further set forth in the Implementation Agreement.

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 Events of Suspension consist of the following:

(a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and
adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

(b) The Recipient, the FATA Secretariat, FDMA or the Project Implementing Entity shall have failed to comply with the provisions of the Implementation Agreement or any such parties shall have amended, suspended, abrogated or waived, whether in whole or in part, the said agreement, so as to materially and adversely affect the ability of any such parties to perform any of their obligations under this Agreement or the Project Agreement, respectively.

4.02. The Additional Events of Acceleration consist of the following:

(a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

(b) The event specified in paragraph (b) of Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the Signing Date.

5.03. 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 Signing Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. For the purpose of Section 11.01 of the General Conditions: (a) the Recipient’s Address is:

The Secretary to the Government of Pakistan
Economic Affairs Division
Islamabad
Islamic Republic of Pakistan; and
6.03. For the purpose 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:

Cable: INDEVAS
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF PAKISTAN

By

Authorized Representative

Name: ARIF AHMED KHAN
Title: Economic Division
Government of Pakistan
Islamabad
Date: 24 - 10 - 2017

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Pachamuthu Illangoan
Title: Country Director
Date: October 24, 2017
SCHEDULE 1

Project Description

The objective of the Project is to support the early recovery of families affected by the militancy crisis, promote child health, and strengthen emergency response safety net delivery systems in the affected areas of FATA.

The Project consists of the Original Project, with the following modification to its Component 2 (a), for purposes of this additional financing: "(a) Child Wellness Services in the Affected FATA".
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Financing Arrangements

1. To facilitate the carrying out of the Project Implementing Entity’s Respective Parts of the Project, the Recipient shall make part of the proceeds of the Financing, allocated from time to time to Category (1), available to the Project Implementing Entity on a grant basis, in accordance with the provision of this Agreement and the Recipient’s budgetary policies and procedures.

2. Notwithstanding paragraph one (1) above, in the event that any of the provisions of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to Section III.A of this Schedule were inconsistent with the budgetary procedures of the Recipient, the provisions of this Agreement and related instructions shall govern.

B. Institutional Arrangements

1. The Recipient shall maintain, throughout the period of implementation of the Project:

   (a) a Project Steering Committee, chaired by EAD’s Secretary, with power, functions, resources and composition acceptable to the Association, and to convene at least quarterly to provide overall operational oversight and decision making support for the TDPs Program and the Project; and

   (b) a Review Committee, chaired by EAD’s Additional Secretary, with power, functions, resources and composition acceptable to the Association, and to convene at least monthly to provide implementation support and coordination of the TDPs Program and the Project.

2. The Recipient shall:

   (a) maintain within EAD throughout the period of implementation of the Project, a Project Management Unit, responsible for the carrying out of the technical coordination and day-to-day implementation of the Project, which unit shall be provided with qualified and experienced staff, in sufficient numbers and under terms of reference satisfactory to the Association, as well as the necessary resources, powers and functions to comply with the Project’s fiduciary and safeguard requirements, in particular those related to the payment of Cash Grants; and
(b) ensure that each OSS is adequately staffed with professional health staff with the necessary experience and qualifications acceptable to the Association, and operating under terms of reference agreed to between the Recipient and the Association.

C. Project Operations Manual

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Project Operations Manual, such manual to include inter alia:

(a) eligibility criteria, methodology and procedural standards for the selection of Eligible TDPs and Eligible Beneficiaries and for ensuring that all participation in the Cash Grants programs is undertaken voluntarily by Eligible TDPs and Eligible Beneficiaries;

(b) terms and conditions of the Cash Grants;

(c) allocation of functions, responsibilities and terms of reference for the management of the Project such as surveying and selection of beneficiaries, data-sharing protocols and management information systems, cross-checks and re-verification centers, verifications of attendance of awareness sessions, financial management duties and disbursements, monitoring and evaluation systems, grievance redress mechanisms and help-lines, and payment reconciliation protocols;

(d) governance and accountability measures, including terms of reference for the Project’s independent operational audits;

(e) Payment Agents operational and coordination mechanisms;

(f) financial management guidelines setting forth policies and procedures for the flow of funds, settlement of payments and payment reconciliations, accounting, maintenance of records, reporting, and internal control requirements for the Cash Grants;

(g) policies and procedures for data collection, public awareness and information campaigns, provision of training, and monitoring and evaluation of Project activities and their related impacts; and

(h) the organization structure at the federal and local level, including the terms of reference of the Project Steering Committee, the Review Committee and the PMU.

2. The Recipient shall not amend, waive, suspend or abrogate any provision of the Project Operations Manual, whether in whole or in part, without the prior concurrence of the Association.
3. In the event of any conflict between the provisions of the Project Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

D. Implementation Arrangements

1. The Recipient shall maintain the Implementation Agreement with the FATA Secretariat, FDMA and the Project Implementing Entity under terms and conditions acceptable to the Association, setting forth their respective powers, functions, duties and responsibilities in the implementation of the Project, including inter alia:

(a) the obligations of the FATA Secretariat to:

   (i) provide, through DoH, Child Wellness Services to Eligible Beneficiaries, seconding sufficient and qualified health personnel, and ensuring the uninterrupted supply of medicines, vaccines and medical supplies at the One-Stop Shops as required to cover the services demand, as well as providing the associated Child Wellness Grants to Eligible Beneficiaries;

   (ii) comply with the data sharing protocols, public disclosures and grievance redress mechanisms set forth in the Project Operations Manual;

   (iii) secure a suitable location, acceptable to the Recipient, the Project Implementing Entity and the Association, for the location and building by the Project Implementing Entity of the OSS and safety and security thereof;

   (iv) comply with/execute, through DoH, the ESMP; and

   (v) enable and support the Project Implementing Entity in all Project activities carried out by it on the FATA Secretariat’s behalf;

(b) the obligations of the Project Implementing Entity to:

   (i) carry out Component 3 of the Project acting on its behalf and as applicable on behalf of the Recipient and the Affected FATAs; and

   (ii) support the provision of Cash Grants with verification of the eligibility and implementation requirements thereof as set forth in the Project Operations Manual.
2. The Recipient shall maintain the Agency Agreement with the FATA Secretariat and the Project Implementing Entity, and the Payment Agents, under terms and conditions satisfactory to the Association, for purposes of defraying the Cash Grants to Eligible TDPs and Eligible Beneficiaries, as the case may be, said Agency Agreement to include, *inter alia*:

(a) provisions amending the Financial Agreements to incorporate financial management provisions, satisfactory to the Associations; and

(b) the Payment Agents responsibility for: (i) biometric verification of Eligible TDPs and Eligible Beneficiaries; (ii) opening Level 0 Accounts; (iii) electronic trail payments; and (iv) establishing at least one payment counter in each of the OSSs, all as further elaborated in the POM.

3. The Recipient shall exercise its rights and carry out its obligations under the Implementation Agreement and the Agency Agreement in such manner as to protect the interest of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Implementation Agreement or the Agency Agreement or any of their provisions. In the event of conflict between the provisions of the Implementation Agreement or the Agency Agreement, and those of this Agreement, those of this Agreement shall prevail.

4. Notwithstanding any other provision of this Agreement, the Project Agreement or the Project Operations Manual, the Recipient shall:

(a) ensure, and cause the FATA Secretariat and the Project Implementing Entity to ensure, that all participation by Eligible TDPs and Eligible Beneficiaries in the Cash Grants programs shall be voluntary and that no Eligible TDP shall be forcibly repatriated;

(b) provide the Association with such information documenting voluntary participation by Eligible TDPs and Eligible Beneficiaries in the Cash Grants program as the Association may from time to time request;

(c) ensure that no land acquisition resulting in or likely to result in Displaced Persons shall be required for or permitted under the Project; and

(d) remain at all times responsible for the safety of the participating Eligible TDPs and Eligible Beneficiaries.
E. **Annual Work Plans**

The Recipient Shall:

(a) ensure the appropriation and availability of resources necessary for the financing of Component 1 of the Project, so as to ensure that all Eligible TDPs willing to participate in the Cash Grants programs shall be entitled to enroll and receive such financial support on equal (*pari passu*) basis;

(b) furnish to the Association for approval as soon as available, but in any case not later than April 30 of each year, the annual work plan and budget for Components 1 and 2 of the Project, covering the activities proposed for the subsequent year of Project implementation; which plan and budget shall be of such scope and detail as the Association shall have reasonably requested;

(c) ensure that the agreed resources are duly allocated by Recipient, in a manner and substance satisfactory to the Association, so as to guarantee the successful implementation of the annual work plans referred to in paragraph 1 of this Section; and

(d) thereafter ensure that Components 1 and 2 of the Project are carried out in accordance with such plan and budget as agreed with the Association.

F. **Safeguards**

1. The Recipient shall carry out, and cause the DoHs and the Project Implementing Entity to carry out, Component 2 of the Project in accordance with the provisions of the Environmental and Social Management Plan.

2. In the event of any conflict between the provisions of the ESMP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Recipient shall establish, and cause the Project Implementing Entity to establish, and thereafter implement throughout the period of Project execution, an easily accessible grievance redress mechanism, satisfactory to the Association, with reception counters in each OSS, in order to address any complaints filed by Eligible TDPs, Eligible Beneficiaries, and/or applicants therefor, regarding: (i) the eligibility criteria to access the Cash Grants and/or Child Wellness Services; (ii) any data error in the processing of applications and/or eligibility verification; (iii) any update of the applicants’, Eligible TDPs’ and/or Eligible Beneficiaries’ personal data and/or documentation; (iv) the issuance/assignment of computerized national identity numbers and/or cards therefor; and (v) the timely and proper payment of Cash Grants and/or the provision of timely and quality Child Wellness Services.
Section II.  Project Monitoring, Reporting and Evaluation

A. Project Reports

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

B. Procurement Redress Mechanism

The Recipient shall, and shall cause the Project Implementing Entity to, maintain throughout the period of implementation of the Project, a system for the handling of procurement complaints, in a manner and substance acceptable to the Association, which system shall include, inter alia, the maintenance of a complaint database, a standard protocol setting forth triggers for carrying out investigations, and a sanctions regime.

Section III. Withdrawal of the Proceeds of the Financing

A. General

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 Eligible Expenditures in the amount allocated and, if applicable, up to percentage set forth against each Category of the following table:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services, Incremental Operating Costs and Training for Component 3 of the Project</td>
<td>1,640,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Cash Grants amounts disbursed for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Early Recovery Grants:</td>
<td>58,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Livelihood Support Grants:</td>
<td>6,180,000</td>
<td></td>
</tr>
<tr>
<td>(c) Child Wellness Grants:</td>
<td>14,430,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>81,000,000</td>
<td></td>
</tr>
</tbody>
</table>

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 Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 16,200,000 may be made for payments made prior to this date but on or after July 1, 2017, for Eligible Expenditures.

2. The Closing Date is June 30, 2019.
**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 March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing March 15, 2023 to and including September 15, 2042</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing March 15, 2043 to and including September 15, 2047</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 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Affected FATA” means any of the following FATAs: North Waziristan, South Waziristan, Orakzai, Kurran and Khyber.

2. “Agency Agreement” means the agreement dated April 1, 2016, entered between the Recipient, the FATA Secretariat, the Project Implementing Entity and the Payment Agents, pursuant to Section I.D. 2 of Schedule 2 to this Agreement.

3. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.


5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

6. “Child Wellness Grant” means a cash transfer in an amount approximately equivalent to $75 to be made to Eligible Beneficiaries upon completion of the Child Wellness Services requirements set forth in the Project Operations Manual, to cover the opportunity and transportation costs of meeting such requirements.

7. “Child Wellness Services” means the following services to be delivered by DoH in the OSSs: child health awareness and counseling, screening of children for malnutrition, using growth monitoring, immunizations, and referral of complicated cases in regular check-ups.

8. “Displaced Person” means a person who, on account of the execution of an activity under the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; “Displaced Persons” means all such persons.

9. “DoH” means the Department of Health of the FATA Secretariat or any successor thereto acceptable to the Association.
10. "EAD" means the Recipient's Economic Affairs Division or any successor thereto acceptable to the Association.

11. "Early Recovery Grant" means a one-time cash transfer in the amount approximately equivalent to $350 to be paid to an Eligible TDP to assist them in covering initial expenses to restart their lives and livelihood, irrespective of destination, pursuant to the provisions of the Project Operations Manual.

12. "Eligible Beneficiary" means a family with children younger than two years of age which has received (or may receive) the Child Wellness Services and meets the eligibility requirements for a Child Wellness Grant in accordance with the provisions of the Project Operations Manual.

13. "Eligible TDP" means: (a) a family group TDP that has voluntarily agreed to leave the displaced persons camp or other area of residence and meets the eligibility requirements for an Early Recovery Grant; or (b) a family group TDP that upon return to the Affected FATAs meets the eligibility requirements for a Livelihood Support Grant; both in accordance with the provisions of the Project Operations Manual.

14. "Environmental and Social Management Plan" or "ESMP" means the environmental and social management plan for Component 2 of the Project disclosed at the Recipient's, Project Implementing Entity's and DoH's website on July 24, 2015, setting forth the guiding principles, standards and procedures and actions to address the social and health impacts of Project implementation including disposal of medical waste in connection with the immunizations to be made as part of the delivery of Child Wellness Services, as such ESMP may be revised, updated or supplemented from time to time with the prior written agreement between the Recipient, the Project Implementing Entity, DoH and the Association.


17. "FDMA" means the Recipient's Federal Disaster Management Authority or any successor thereto acceptable to the Association.

18. "Financial Agreement" means the each of the agreements entered into by the Payments Agencies, the Recipient, the FATA Secretariat and the Project Implementing Entity for purposes of defraying the Cash Grants prior to the signing of this Agreement.

20. "Implementation Agreement" means the agreement dated April 1, 2016, entered between the Recipient, the FATA Secretariat, FDMA and the Project Implementing Entity, pursuant to Section I.D.1 of Schedule 2 to this Agreement and Section I.A.1 of the Schedule to the Project Agreement.

21. "Incremental Operating Costs" means the reasonable costs of salaries of contractual staff (other than consultants), the Project Implementing Entities’ personnel dedicated to the Project, per diem and allowances, office and vehicle rental, office supplies, utilities, conveyance, domestic and international travel and boarding/lodging allowances, operation and maintenance of office equipment and vehicles, advertising expenses and normal bank charges, insurance costs, media projections, newspaper subscriptions, periodicals, printing and stationary costs in connection with the management and coordination of Project activities, which expenditures would not have been incurred absent the Project.

22. "Level 0 Accounts" means the accounts to be opened by the Payment Agents, pursuant to the Agency Agreement, for the purposes of defraying the Cash Grants to Eligible TDPs and Eligible Beneficiaries (as the case may be).

23. "Livelihood Support Grant" means a cash transfer in an amount approximately equivalent to $160 to be made to an Eligible TDP in four installments to cover initial subsistence needs following the requirements of the Project Operations Manual.


25. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.

26. "One-Stop Shop" or "OSS" means any unit established under the Project to facilitate the registration, verification and payment for Cash Grants and delivery of the Child Wellness Services.

27. "Payment Agents" means the financial intermediaries and/or payment institutions to be selected pursuant to the Project Operations Manual for the payment of Cash Grants to Eligible TDPs, and Eligible Beneficiaries through electronic means.
28. "Procurement Regulations" means, for the purpose of paragraph 87 of the Appendix of the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 1, 2016.

29. "Project Implementing Entity" means the Recipient's National Database & Registration Authority established pursuant to Section 4 of the Project Implementing Entity's Legislation.

30. "Project Implementing Entity’s Legislation" means the Recipient’s National Database and Registration Authority Ordinance 2000, as amended to the date of this Agreement.

31. "Project Management Unit" or "PMU" means the unit referred to in Section I.B.2 of Schedule 2 to the Financing Agreement.

32. "Project Operations Manual" or "POM" means the manual, originally dated December 18, 2015, referred to in Section I.C of Schedule 2 to this Agreement.

33. "Project Steering Committee" means the Committee referred to in Section I.B.1 (a) of Schedule 2 to the Financing Agreement.

34. "Respective Parts of the Project" means for the Project Implementing Entity all activities under Component 3 of the Project and the support activities of Components 1 and 2 to be carried out in accordance with the Implementation Agreement.

35. "Review Committee" means the Committee referred to in Section I.B.1 (b) of Schedule 2 to the Financing Agreement.

36. "TDP" means any person temporarily displaced from his or her home in the Affected FATA due to the militancy crisis during 2014.

37. "TDPs Program" means the Recipient's program designed to support the return of TDPs to the Affected FATAs as set forth in the FATA Sustainable Return and Rehabilitation Strategy issued by the FATA Secretariat on March 2015 available at fata.gov.pk/cp.

38. "Training" means the reasonable costs of trainings, workshops and conferences conducted in the territory of the Recipient, including the purchase and publications of material, rental of facilities, course fees and travel and subsistence allowances for trainers and/or trainees means.