



CREDIT NUMBER 5536-PK

Financing Agreement

(Enhanced Nutrition for Mothers and Children Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *OCTOBER 31* , 2014

CREDIT NUMBER 5536-PK

FINANCING AGREEMENT

AGREEMENT dated October 31, 2014, entered into between the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to this Agreement ("Project"), has requested the Association to extend a credit to assist in the financing of the Project in the territory of the Province of Sindh;

(B) the Recipient has requested the Association, acting as administrator of the Pakistan Partnership for Improved Nutrition Multi-Donor Trust Fund, to extend a grant to assist in the financing of the Project in the territory of the Province of Balochistan, pursuant to the agreement to be entered between the Recipient and the Association for this purpose ("MDTF Grant Agreement").

WHEREAS the Association has agreed, on the basis of the foregoing to extend a credit to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty three million five hundred thousand Special Drawing Rights (SDR 23,500,000) (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 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are June 1 and December 1 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 cause the Project to be carried out in the Project Areas by the Province of Sindh in accordance with the provisions of Article IV of the General Conditions and the Project 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05 (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 date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is any of the Secretary, Additional Secretary, Joint Secretary, or Deputy Secretary or Section Officer of the Economic Affairs Division of the Federal Government of the Islamic Republic of Pakistan.

5.02. The Recipient's Address is:

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

Facsimile:

92-51-9204086

5.03. The Association's Address is:

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

Cable:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)

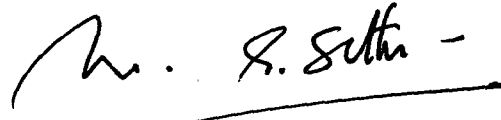
Facsimile:

1-202-477-6391

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

ISLAMIC REPUBLIC OF PAKISTAN

By



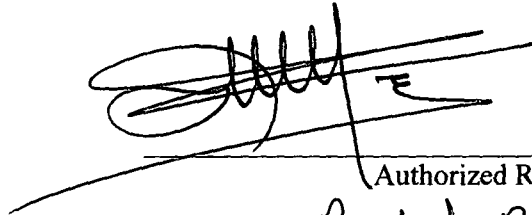
Authorized Representative

Name: Muhammad Saleem Satti

Title: Secretary, EAD

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Rachid Benmessaoud

Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to increase the coverage of interventions, in the Project Areas, that are known to improve the nutritional status of children under two years of age, as well as of pregnant and lactating women.

The Project consists of the following parts:

Part 1. Addressing General Malnutrition in Women and Children

Build the capacity of provincial health systems to deliver services that address general malnutrition through:

- (a) Identification and delivery of a set of infant and young child feeding behavior change communication interventions, including the provision of micronutrient powders.
- (b) Introduction of community management of acute malnutrition, including the use of prepared/packaged therapeutic foods.
- (c) Scaling-up of proven maternal nutrition interventions, including antenatal visits and provision of iron folic acid supplementation during pregnancy.

Part 2. Addressing Micronutrient Malnutrition

Build the capacity of provincial health systems to deliver micronutrient interventions to women and young children through the provision of micronutrient supplementation for *inter alia* Vitamin A, iron, iodine, folic acid and zinc.

Part 3. Communication for Development

- (a) Build capacity of provincial departments of health to familiarize stakeholders about the magnitude of the malnutrition challenges and policy directions to address them.
- (b) Develop and implement a strategy for behavior change communications through mass media campaigns for improving knowledge and attitudes relating to nutrition and increase demand for nutrition services.
- (c) Build the capacity of health system workers to undertake interpersonal communication to change key behaviors related to nutrition.

Part 4. Strengthening Institutional Capacity

Strengthen existing institutional capacity for nutrition within the health sector at the provincial and district levels through:

- (a) Strengthening of the staff complement of provincial nutrition cells and district health offices in key skill and knowledge areas.
- (b) Strengthening systems of effective accountability between the district and provincial levels.
- (c) Delivery of training on priority areas of technical knowledge as well as management skills.
- (d) Provision of technical assistance for service delivery.
- (e) Strengthening the capacity of provincial and district departments of health to monitor and evaluate health programs.
- (f) Establishment of mechanisms to enhance social accountability in the provincial departments of health, including stakeholder consultation and complaint redress mechanisms.
- (g) Strengthening the capacity of provincial health departments to coordinate across sectors.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Credit available to the Province of Sindh in accordance with the provision of this Agreement and the Recipient's on-lending policies and budgetary procedures, and under the same terms and conditions as shall have been received from the Association.
2. Notwithstanding paragraph 1 above, in the event that any of the provision of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to Section IV.A.I of this Schedule, are inconsistent with the budgetary procedures of the Recipient, the provision of this agreement shall govern.
3. The Recipient shall exercise its rights under the on-lending arrangements referred to in the preceding paragraphs in such manner as to protect the interests of the Association and to accomplish the purposes of the Credit.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and cause the Province of Sindh to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of six months, 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. Notwithstanding the provisions of paragraph (1) above, the Recipient shall cause the Province of Sindh to:
 - (a) prepare, by no later than July 15, 2016 and furnish to the Recipient and the Association, a mid-term review report, in a manner and substance satisfactory to the Association, integrating the results of the monitoring

and evaluation activities performed pursuant to paragraph (1) above on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

- (b) review with the Association, by September 30, 2016, or such later date as the Association shall request, the mid-term review report referred in subparagraph (a) above, and, thereafter, cause the Province of Sindh to take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, base on the conclusions and recommendations of the said report and the Association's views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause the Province of Sindh to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare, and cause Province of Sindh to prepare, and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. 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 of one fiscal year of the Recipient and the Province of Sindh. 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 and Non-consulting Services.** All goods and non-consulting services 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 Section.
2. **Consultants' Services.** All consultants' services 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 Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional procedures set forth in the attachment to this Schedule; (c) Shopping; (d) Direct Contracting; and (e) Procurement from United Nations agencies.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Selection under a Fixed Budget; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Credit

A. General

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit (“Category”), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants’ services, Training and Operating Costs for the Province of Sindh under the Project	23,500,000	100%
TOTAL AMOUNT	23,500,000	

For the purposes of the above table:

- (a) “Operating Costs” means the incremental operating costs under the Project incurred by the Recipient and the Province of Sindh for purposes of Project management and implementation on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient’s or the Province of Sindh’s civil service; and
- (b) “Training” means the reasonable costs of training attributable to travel and subsistence allowances for training participants seminars, workshops, study

tours, rental of training facilities, services of trainers and presenters, preparation and reproduction of training materials, and other costs directly related to preparation and implementation of training programs.

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, except that withdrawals up to an aggregate amount not to exceed SDR2,350,000 equivalent may be made for payments made prior to this date but on or after March 1, 2014, for Eligible Expenditures.
2. The Closing Date is December 31, 2018.

ATTACHMENT TO SCHEDULE 2

Improvement of Bidding Procedures under National Competitive Bidding

The following improvements in bidding procedures will apply to all procurements of Goods and Non-consulting Services under the Sindh Public Procurement Act, 2009 (NO. PAS/Legis-B-2/2009) and the Sindh Public Procurement Rules, 2010 (NO. SORI(SGA&CD)2-30/2010), as amended pursuant to Notification No. SORI(SGA&CD)2-30/2010 of October 8, 2013, as agreed to with the Association, in order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:

- (i) Invitations to bid will be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.
- (ii) Bid documents will be made available, by mail or in person, to all who are willing to pay the required fee.
- (iii) Foreign bidders will not be precluded from bidding and no preference of any kind will be given to national bidders in the bidding process.
- (iv) Bidding will not be restricted to pre-registered firms.
- (v) Qualification criteria will be stated in the bidding documents.
- (vi) Bids will be opened in public, immediately after the deadline for submission of bids.
- (vii) Single bids will also be considered for evaluation.
- (viii) Bids will not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association.
- (ix) Before rejecting all bids and soliciting new bids, the Association's prior concurrence will be obtained.
- (x) Contracts will not be awarded on the basis of nationally negotiated rates.
- (xi) Contracts will be awarded to the lowest evaluated and qualified bidder.
- (xii) Post-bidding price negotiations will not be allowed with the lowest evaluated or any other bidders.

- (xiii) Bids will be solicited and works contracts will be awarded on the basis of unit prices and not on the basis of a composite schedule of rates.
- (xiv) Draft NCB contracts would be reviewed by the Association in accordance with prior review procedures.
- (xv) A firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing an Association -financed contract, will be ineligible to be awarded an Association -financed contract during the period of time determined by the Association.
- (xvi) Each contract financed from the proceeds of the Credit will provide that the suppliers, contractors and subcontractors will permit the Association, at its request to inspect their account and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.
- (xvii) The Association will declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by the Association.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 1 and December 1:	
commencing December 1, 2019 to and including June 1, 2029	1.65%
commencing December 1, 2029 to and including June 1, 2039	3.35%

* 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. “Annual Work Plans and Budgets” means the work plan of activities, associated resources, procurement packages and budgetary allocations required for a given fiscal year of the Province of Sindh for Project implementation, to be prepared pursuant to Section I.C of the Schedule to the Project Agreement.
2. “Anti-Corruption Guidelines” means 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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
5. “District Coordination Committee” means the committee to be established pursuant to Section I.A.1(d) of the Schedule to the Project Agreement.
6. “District Health Officer” means the officer responsible for health-related activities at the district level.
7. “District Nutrition Officer” means the officer responsible for nutrition-related activities at the district level.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
9. “MDTF Grant Agreement” means the Pakistan Partnership for Improved Nutrition Multi-Donor Trust Fund Grant Agreement, to be signed between the Recipient and the Association, acting as administrator of the Pakistan Partnership for Improved Nutrition Multi-Donor Trust Fund, in relation to Project activities to be carried out in the Province of Balochistan, and referred to in Section 4.02 of this Agreement.
10. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.

11. "Procurement Operations Manual" means the Province of Sindh's procurement manual and guidelines, dated September 18, 2013, setting out the institutional arrangements, responsibilities and procedures, as such manual may be amended from time to time with the prior mutual approval of the Association and the Province of Sindh.
12. "Procurement Plan" means the Province of Sindh's procurement plan for the Project, dated May 31, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. "Program Manager for Nutrition" means the head of the Provincial Nutrition Cell.
14. "Project Areas" means for purposes of this Credit, the Province of Sindh.
15. "Project District" means the districts in which the Project is carried out, selected by the Province of Sindh, in accordance with criteria acceptable to the Association.
16. "Province of Balochistan" means the Recipient's Province of Balochistan.
17. "Province of Sindh" means the Recipient's Province of Sindh, and the Project Implementing Entity for the Purposes of the General Conditions.
18. "Provincial Nutrition Cell" means the cell established pursuant to Notification No. SO-IV (PH) WFP 1-2/2014, dated July 1, 2014, and referred to in Section I.A.1(a) of the Schedule to the Project Agreement.
19. "Provincial Steering Committee" means the committee to be established pursuant to Section I.A.1(b) of the Schedule to the Project Agreement.
20. "Provincial Technical Committee" means the committee to be established pursuant to Section I.A.1(c) of the Schedule to the Project Agreement.
21. "UNICEF" means the United Nations Children's Fund established by the General Assembly of the United Nations by Resolution No. 57(I) of December 11, 1946.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

- (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
 - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”
2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).