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IFAD
Investing in rural people

Islamic Republic of Pakistan

National Poverty Graduation Programme

Negotiated financing agreement

Executive Board — 121st Session
Rome, 13-14 September 2017

For: Information

Negotiated financing agreement: "National Poverty Graduation Programme"

(Negotiations concluded on 25 July 2017)

Loan Number:

Programme Title: National Poverty Graduation Programme ("the Programme")

The Islamic Republic of Pakistan (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2).and the special covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is eighty two million six hundred thousand US dollars (USD 82 600 000).

2 The Loan is granted on highly concessional terms, and shall be free of interest but bear a service charge of three fourths of one per cent (0,75%) per annum payable semi-annually in the Loan Service Payment currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years, starting from the date of the approval of the Loan by the Fund's Executive Board.

3. The Loan Service Payment Currency shall be the United States Dollar (USD).

4. The first day of the applicable Fiscal Year shall be the 1 July.

5. Payments of principal and service charge shall be payable on each 1 January and 1 July.

6. There shall be one Designated Account denominated in USD (the “Designated Account”) opened by the Borrower at the National Bank of Pakistan (NBP), through which the proceeds of the IFAD Financing shall be channelled.

7. The Borrower shall make the loan proceeds available as a grant to the Lead Programme Agency, for implementation of the Programme.

8. The Borrower through the Pakistan Poverty Alleviation Fund (PPAF) shall provide a counterpart financing for the Programme in an amount equivalent to fifty million dollars (USD 50 000 000) from the Prime Minister Interest Free Loan (PMIFL) already deployed in order to provide interest free loan through Partner Organizations (POs) to eligible beneficiary households.

Section C

1. The Economic Affair Division (EAD) of the Ministry of Finance shall be the main coordinating body on behalf of the Borrower.

2. The Lead Programme Agency shall be PPAF.

3. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Loan will be administered and the Programme supervised by the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

   (a) The Subsidiary Financing Agreement between the LPA and the Borrower has been amended, suspended or terminated without the prior consent of the Fund;

   (b) Any key PMU staff has been appointed, transferred or moved from the Programme Management Unit (PMU) without the prior consent of the Fund; and

   (c) The Programme Implementation Manual (“PIM”), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Programme.

2. The following are designated as additional general conditions precedent to withdrawal:

   (i) A Subsidiary Financing Agreement has been signed between the Borrower and PPAF in order to appoint PPAF as the Lead Programme Agency (LPA) for the implementation of the Programme;

   (ii) The key PMU staff for the implementation of the Programme, as described in the Schedule 1, has been appointed with terms of reference and qualifications acceptable to the Fund; and

(iii) The existing PIM as described in section II of Schedule 1, has been updated in form and substance satisfactory to the Fund.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Secretary, Economic Affairs Division
Ministry of Finance, Revenue, Economic Affairs,
Statistics and Privatization
C Block, Pak Secretariat
Islamabad, Pakistan

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement, dated _______, has been prepared in the English language in two(2) original copies, one (1) for the Fund and one(1) for the Borrower.

ISLAMIC REPUBLIC OF PAKISTAN

____
(Authorized Representative)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____
President

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. Programme Area. The Programme will have a national geographic area with a focus on the poorest districts.

2. Target Population. The Programme shall benefit households categorized on the basis of the Poverty Score Card (PSC) targeting a primary target group for assets transfers and another group for access to finance, both providing to the programme an approximate beneficiary number of 320,000 households.

3. Goal. The goal of the Programme is to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change.

4. Objective. The development objective of the Programme is to enable the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven flexible and responsive menu of assistance.

5. Components. Programme shall consist of the following Components:

Component 1: Poverty graduation. This Component shall consist of three mutually reinforcing sub-components as follows:

Sub-component 1.1: Asset creation. This sub-component will aim at transferring assets and relevant skills training to beneficiaries in selected Union Councils (at district level) having some potential for employment or entrepreneurial competencies and depending on their categorization identified through the PSC. In addition, this sub-component will support the establishment of Community platforms to promote socio-economic activities.

Sub-component 1.2: Interest FreeLoan (IFL). This sub-component will aim at supporting both eligible non-poor and poor in the target communities and leverage non-interest bearing products as per existing eligibility criteria under the PMIFL as described in the PIM.

Sub-component 1.3: Training of Livelihood and IFL Beneficiaries. This sub-component will aim at enhancing the effectiveness of the assets and IFL transferred to the target beneficiaries. The trainings on financial literacy and enterprise development would enable the target beneficiaries to harness their potential to maximize the benefits from the given assets and interest free loans.

Component 2: Social Mobilization and Programme Management.

Component 2 consists of two sub-components as follows:

Sub-component 2.1: Social Mobilization. This sub-component will be supported to finance a tested and proven social mobilization based approach to beneficiary targeting, community organization and mobilization and implementation in which PPAF will engage existing and new suitable partners in all selected target areas for the delivery of Programme interventions.

Sub-component 2.2: Programme Management. This sub-component covers the dedicated management structure for the programme within PPAF and its related delivery costs. It will also finance activities such as impact assessments, UC baseline surveys and district level market analysis that inform the other Programme components.

II. Implementation Arrangements

A. Organisation and Management

(i) <u>At Federal Level</u>

6. Executive Agency. The Economic Affair Division (EAD) of the Ministry of Finance shall be the main coordinating body on behalf of the Borrower and shall facilitate subsequent programme supervision and review.

7. Lead Programme Agency (LPA). The PPAF shall be the LPA and shall have the overall responsibility for the implementation of the Programme.

8. Programme Management Unit (PMU).

8.1 Establishment and composition. A PMU shall be established within PPAF, headed by a Programme Manager (PM) and shall include sector specialists, PO relationship managers, and support staff. The Key PMU staff comprises the Programme Manager(PM), Finance Manager and M&E Manager.

8.2 Responsibilities. The PMU shall be responsible for planning, coordination, implementation, monitoring and reporting.

(ii) <u>At field level</u>

9. Implementing Partners. Field activities will be implemented by a network of POs engaged on the basis of their existing presence in the target district, past performance and existing portfolio of activities through a rigorous selection process initiated in the pre-inception phase. PPAF shall enter into output and performance based agreements with these partners.

B. Implementation of programme components

10. Component 1. Poverty graduation. Based on the geographical distribution of the Programme, and the pool of resources available, POs will be selected through a rigorous process, as outlined in the PIM, to implement the social mobilization and asset transfer activities. The LPA shall enter into contractual agreements with its POs and Implementation Plans (IPs) shall be developed upon signing of the agreements.

11. Component 2. Social Mobilization and Programme Management. Activities under this component will be directly managed by the LPA using third party firms/consultants for specific activities such as baseline data collection, market analysis or any requested activities, whereas orientation and capacity building of POs on programme implementation activities will be conducted by PMU.

C. Mid-Term review (MTR).

12. A MTR shall be conducted at the end of the third year of the Programme implementation to assess the progress, achievements, constraints of programme activities and make recommendations and necessary adjustments for the remaining programme period. The MTR shall be carried out jointly by the LPA, the Borrower and IFAD.

D. Programme Implementation Manual (PIM).

13. The LPA shall updated the existing PIM in a form acceptable to the Fund including among other arrangements: (i) institutional coordination and day-to-day execution of the Programme; (ii) Programme budgeting, disbursement, financial management, procurement, monitoring and evaluation, reporting and related procedures; (iii) detailed description of implementation arrangements for each Programme component; and (iv) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Programme.

Schedule 2

Allocation Table

1. Allocation of Loan Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

	Category	Loan Amount Allocated (expressed in USD)	Percentage of eligible expenditures to be financed (inclusive of Taxes)
I.	Grants and Subsidies	53 900 000	100
II.	Training and workshops	11 800 000	100
III.	Consultancies	800 000	100
IV.	Operating Costs	7 850 000	100
Unallocated		8 250 000	100
	TOTAL	82 600 000	

(b) The terms used in the Table above are defined as follows:

Category I "Grants and Subsidies" covers inter alia, tangible; and intangible assets transfers.

Category IV "Operating Costs" covers inter alia, recurrent and overhead costs; and audits costs. The PPAF and POs recurrent and overhead costs including salaries and allowances will be covered through a fixed percentage (4% for PPAF and 8% for POs) of the eligible expenditures incurred under categories I, II and III.

(i) Retroactive Financing. As an exception to Section 4.08(a)(ii) of the General Conditions, specific eligible expenditures up to the equivalent of three hundred and fifty thousand United States Dollar (USD 350 000) incurred after 20 September 2017 but before the entry into force of this Agreement may be pre-financed by the Government and reimbursed from the Financing after the Financing Agreement has entered into force and the conditions precedent to withdrawal have been met. These specific eligible expenditures consist of procurement of services by third party organizations for baseline and evaluation of POs proposals under Category III (Consultancies).

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:

1. Performance-Based Agreements. The LPA shall enter into performance-based agreements with contracted POs, and any other party competitively selected by the LPA to participate in the Programme, as acceptable to the Fund. Each performance-based agreement shall specify the scope of the work to be undertaken by such entity(ies), expected deliverables, estimated budget for specific activities, modalities for the implementation of any sub-contracted activities, as well as quantified deliverables, including gender and inclusion target and indicators.

2. Taxes. Given that the Borrower has informed the Fund in writing that (i) it is not possible to exempt the Programme from certain taxes under this Programme and (ii) the World Bank's country financing parameters permit the financing of such taxes, taxes will be covered by the proceeds of the Financing with the exception of import taxes and duties if applicable and to the extent that there are not "excessive, discriminatory or otherwise unreasonable".

3. Gender. The Borrower shall ensure that this programme will contribute to the promotion of social and economic empowerment of poor rural women, men and youth through its programme activities that enhance access to economic opportunities and support women's empowerment.