

USAID Grant Agreement No. 391-006-05

STRATEGIC OBJECTIVE GRANT AGREEMENT

AMENDMENT NUMBER FIVE

BETWEEN THE

UNITED STATES OF AMERICA

AND

THE ISLAMIC REPUBLIC OF PAKISTAN

FOR

ECONOMIC GROWTH

Islamic Republic of Pakistan)
 City of Islamabad) SS:
 Embassy of the)
 United States of America)

I, Vice Consul of the United States of America at Islamabad, Pakistan duly commissioned and qualified, do hereby certify that the foregoing is a true and faithful copy of the original, the same having been carefully examined by me and compared with the said original and found to agree therewith word for word and figure for figure.

IN WITNESS WHEREOF I have here unto set my hand and affixed the seal of the Embassy of the United States of America at Islamabad, Pakistan, this 20 day of August 2008

Ronald K. F.
 VICE CONSUL OF THE UNITED STATES OF AMERICA

August 19, 2008

Fiscal Date: Appropriation 728/91037-20
 Fund: ES-08/09
 Phoenix Obligation: 391-SOAG-006-05
 Program Area: A18
 Program Element: A074
 Distribution: 391-M
 Amount: \$8,894,153.00

FUNDS AVAILABLE
 OFM / Accounting Section
 Amount: \$8,894,153.00
 Ronz AU 11 AUG 2008
 < > Disbursement Clearance only
 Routed By: *[Signature]* 08/14/08
 Cleared By: *[Signature]* 08/11/08
 MACS/PAK TBNT: *[Signature]*

AMENDMENT NUMBER FIVE TO THE STRATEGIC OBJECTIVE GRANT AGREEMENT between the Government of the United States of America, acting through the United States Agency for International Development (USAID) and the Government of Pakistan (GOP), acting through the Economic Affairs Division of the Ministry of Economic Affairs and Statistics ("GOP or "Grantee").

WHEREAS, the GOP and USAID entered into a Strategic Objective Grant Agreement for Economic Growth, Grant Agreement No. 391-006 dated August 05, 2003, as subsequently amended ("Agreement").

WHEREAS, USAID and the Grantee wish to further amend this Agreement to increase the USAID contribution by US\$8,894,153 for a total amount of US\$77,996,381, revise amplified description and extend the Completion Date to September 30, 2009.

NOW THEREFORE, the parties to the Agreement hereby agree as follows:

A. USAID Contribution:

1. **The Grant.** Section 3.1(a) is amended by deleting the amount of "Sixty-Nine Million, One Hundred Two Thousand, Two Hundred Twenty-Eight U.S. Dollars" (US\$69,102,228) and inserting the amount of "Seventy-Seven Million, Nine Hundred Ninety-Six Thousand, Three Hundred Eighty-One U.S. Dollars" (US\$77,996,381) in lieu thereof.
2. **Total Estimated USAID Contribution.** Section 3.1(b) of the Agreement is deleted in its entirety and replaced by the following new Section 3.1(b):

(b) Total Estimated USAID Contribution. USAID's total estimated contribution to achievement of the Objective will be Seventy-Nine Million, One Hundred Fifty-Three Thousand, One Hundred Fifty-Three U.S. Dollars" (US\$79,153,153), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and may be provided by USAID upon written notice to the Grantee. The Parties agree that each such incremental contribution provided, if any, shall cumulatively increase the total amount of the Grant set forth in Section 3.1 and subsequently may increase the Grantee's contribution under Section 3.2. The Grantee further agrees to acknowledge by written notice to USAID each such incremental contribution, if any.

B. Amendment to Annex 1, Amplified Description: Annex 1, Amplified Description is deleted in its entirety and replaced with attached Annex 1, Amplified Description.

C. Completion Date: Section 4(a) of the Agreement, as amended, is deleted in its entirety and replaced with the following:

(1) The Completion Date, which is September 30, 2009, or such other date as they Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed.

D. Standard Provisions (Annex 2): Article F of the Standard Provisions (Annex 2) is amended by adding Sections F.4, F.5, and F.6 attached hereto.

E. Other Terms and Conditions: All other terms and conditions of the Agreement remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the United States of America and the GOP, each acting through its duly authorized representatives, have caused this Amendment Number Five to be signed in their names and delivered as of the day, month and year shown on the cover page of this Agreement.

UNITED STATES OF AMERICA

THE ISLAMIC REPUBLIC OF PAKISTAN

By:

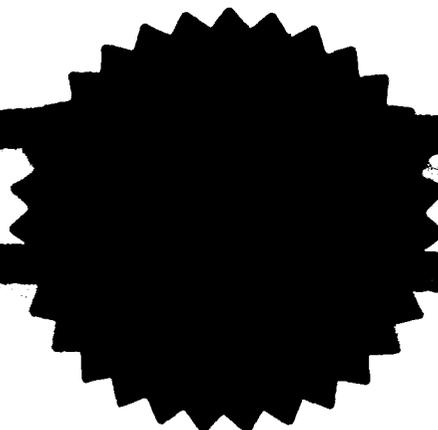
Name: Edward Birgells

Title: Acting Director
USAID Mission to Pakistan

By:

Name: Junaid Iqbal Ch.

Title: Acting Secretary
Economic Affairs Division



ANNEX I
SOAG AMENDMENT NUMBER THREE

AMPLIFIED PROGRAM DESCRIPTION

I. Introduction

This Annex describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in Annex I shall be construed as amending any of the definitions or terms of the Agreement.

II. USAID Economic Growth Program

USAID has developed a six-year, \$79.153 million economic growth program. This program addresses four important areas needed to bring increased economic opportunities to Pakistan, a key objective of the Government's Poverty Reduction Strategy: 1) increase access to financial services for micro-, small-, and medium-sized economic units; 2) expand access to quality education in business and financing; 3) increase market-based opportunities through upgrading the competitiveness of Pakistani small- and medium-sized enterprises and improving agricultural practices; and 4) strengthen public private partnership. Achieving these results will help the Government meet its far-reaching economic and social development objectives.

Strategic Objective: Increased Economic Opportunities

Intermediate Results:

- 1. Increased access to financial services for micro-, small-, and medium-sized economic units;**
- 2. Expanded access to quality education in business and financing;**
- 3. Increased market-based opportunities; and**
- 4. Strengthened public private partnership.**

Intermediate Result 1 -- Increased access to financial services for micro-, small-, and medium-sized economic units. To help stimulate the economy, USAID will support microfinance-based development on several parallel tracks. USAID will support the expansion of microfinance into Balochistan, Sindh and Federally Administered Tribal Areas (FATA), three of the country's least served regions. Financial services would not reach this large, agrarian-based, rural and poor population for years without donor investment. This grant will overcome the high initial investment costs (e.g., training field-based credit officers, establishing branch offices, etc.) associated with bringing microfinance services to these hard-to-reach areas. This will also create economic opportunities for women.

USAID will also seek to reach credit-restrained businesses that are too large for micro-credit but too small for commercial loans (e.g., loans between \$500 and \$30,000). These businesses offer the greatest potential for generating higher income for the poor. Technical assistance, training, and credit facilities to microfinance NGOs and banks will encourage the development and outreach of innovative financial products to this market.

Intermediate Result 2 -- Expanded access to quality education in business and financing. Pakistan has several world class business and finance schools and the potential to produce internationally competitive graduates. The Lahore University of Management Sciences (LUMS) and the Institute of Business Administration in Karachi are two examples. Though Pakistan has many institutions of higher education that can meet this challenge, the social and economic cost of attending these institutions are beyond the reach of most poor students, especially women. USAID will work with the Khushhalibank to create a merit-based scholarship fund for needy students who would not otherwise be able to attend business and finance schools recognized by the Higher Education Commission.

USAID will also train media personnel in innovative business journalism to promote awareness among people on economic policies that promote equitable prosperity. This training will be conducted through Stanford University's Innovation Journalism Fellowship Program, which pairs journalists from around the world with U.S. business journals for six months.

Intermediate Result 3 -- Increased market-based opportunities.

Pakistan has made substantial progress on its macro-economic reform agenda. These reforms need to be complemented by an improved business climate if the private sector is to be able to rapidly expand job opportunities to reduce unemployment and poverty. USAID will work with the public and private sectors to improve Pakistan's business climate through improved industry strategy, increased trade, improved energy strategy, improved workforce and initiatives to stimulate growth and employment, particularly among small- and medium-sized enterprises (SME).

Agriculture accounts for approximately 25 percent of GDP and employs almost half of Pakistan's workforce. USAID will work with farmers to identify and implement strategies to boost agricultural productivity, primarily through introducing better seed varieties, improving on-farm water management, strengthening livestock management, and transitioning to higher-value crops.

Intermediate Result 4 -- Strengthened Public Private Partnership

USAID assistance will help the Government of Pakistan in collaboration with the Ministry of Finance to promote activities that improve competitiveness. The project will improve dialogue between industry and academia; improving the links between

innovation, science and technology with the private sector; and encouraging greater SME finance.

III. Funding

Illustrative Financial Plan: The illustrative financial plan for the Agreement is set forth in the following table:

(in US\$ Millions)

Economic Growth Program	2003	2004	2005	2006	2007	2008
USAID Contribution - excluding AID/W withholdings:						
Increased Access to financial services for micro, small, and medium sized economic units:	\$4.000	\$5.600	\$7.000	\$3.455		
- Inclusive Financial Markets					\$5.326	
- Strengthen Micro-enterprise Productivity					\$1.007	
Expanded Access to Quality Education in Business and Agriculture for the Poor	\$0.500	\$1.000	\$0.0	\$0.500	\$0.0	
Increased Market-Based Opportunities	\$0.500	\$2.000	\$3.443	\$7.273		
- Modern Energy Services					\$0.500	
- Agricultural Sector Productivity					\$1.884	\$8.632
- Business Enabling Environment					\$3.000	
- Private Sector Productivity					\$10.427	
- Workforce Development					\$0.503	
Strengthened Public Private Partnership	\$0.0	\$1.600	\$5.000	\$0.0	\$0.0	
Program Management	\$0.0	\$0.0	\$1.200	\$1.992	\$1.392	\$0.262
AID/W Withholdings:						

IPR - US Department of Commerce	\$0.0	\$0.0	\$0.350	\$0.350	\$0.300	
IT Cost Recovery	\$0.0	\$0.0	\$0.007	\$0.150 \$0.0	\$0.0	
Total Estimated USAID Contribution	\$5.000	\$10.200	\$17.000	\$13.72	\$24.339	\$8.894
GOP Contribution Millions of Rupees	Rs. 320	Rs. 500	Rs. 555	Rs. 513	Rs. 646	

Foreign Assistance Framework Illustrative Financial Plan Cross-walk

Objective: Economic Growth

(in US \$ Millions)

Program Elements	2007	2008	Total
Program Area: Infrastructure			
Modern Energy Services	\$0.500	\$0	\$0.500
Program Area: Agriculture			
Agricultural Sector Capacity	\$1.884	\$8.632	\$10.516
Program Support (Agriculture)	\$0.146	\$0.262	\$0.408
Program Area: Private Sector Competitiveness			
Business Enabling Environment	\$3.000	\$0	\$3.000
Private Sector Capacity	\$10.427	\$0	\$10.427
Workforce Development	\$0.503	\$0	\$0.503
Program Support (Private Sector)	\$1.078	\$0	\$1.078
Program Area: Economic Opportunity			
Inclusive Financial Markets	\$5.326	\$0	\$5.326
Strengthen Micro-enterprise Productivity	\$1.007	\$0	\$1.007
Inclusive Economic Law and Property Rights	\$0.300	\$0	\$0.300
Program Support (Economic Opportunity)	\$0.168	\$0	\$0.168
Objective Total	\$24.339	\$8.894	\$33.233

Changes may be made to the Financial Plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause USAID's contribution to exceed the

government and project implementation units on a quarterly basis; and
District Level Community beneficiaries

In addition, this program will include two formal evaluations, financed by monies in this Agreement. A formal, formative-type evaluation will be carried out after two years of implementation to gauge the overall quality and progress of the work conducted to date, and make recommendations for improvement. This evaluation will be carried out by a highly qualified, external and objective organization.

USAID's implementation agreements, whether contracts, grants or cooperative agreements, also contain provisions for regular monitoring and evaluation of activities conducted thereunder. USAID's Regional Inspector General in Manila, Philippines may also undertake performance audits of activities under this Agreement from time to time. The Parties also undertake, as much as possible, to publicize the undertakings in this Agreement on public websites in Pakistan so that the citizens of Pakistan can monitor progress towards results hereunder.

VII. Other Implementation Issues

The prevailing security situation in Pakistan may pose unique challenges for implementing activities under this Agreement. The Parties recognize that implementation may be delayed from time-to-time in response to unexpected events and will make every effort to reduce such delays if and when they occur. To minimize such disruptions, the Parties agree to seek implementation partners that can move as freely as possible throughout Pakistan, even during periods when expatriate personnel may be forced to leave the country unexpectedly.

ADDITIONAL STANDARD PROVISIONS (ANNEX 2)

STRATEGIC OBJECTIVE GRANT AGREEMENT FOR ECONOMIC GROWTH

Section F.4. Investment Promotion.

- (a) Except as specifically set forth in this Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves investment promotion in a foreign country.
- (b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.
- (c) The Grantee must ensure that its employees and contractors and sub-recipients providing investment promotion services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all contracts and sub-agreements entered into hereunder.

Section F.5. Workers' Rights.

- (a) Except as specifically set forth in this Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves workers' rights in a foreign country.
- (b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.
- (c) The Grantee must ensure that all employees and contractors and sub-recipients providing employment-related services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all contracts and sub-agreements entered into hereunder.

Section F.6. Prohibition on Funding Foreign Government Delegations to International Conferences. Except as USAID may otherwise agree in writing, funds obligated under this Agreement may not be used to finance the travel, per diem, hotel expenses, meals, conference fees or other conference costs for any member of a foreign government's delegation to an international conference sponsored by a public