KP / FATA / Balochistan Multi-Donor Trust Fund
Project Agreement

(Khyber Pakhtunkhwa Southern Area Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of the
KP / FATA / Balochistan Multi-Donor Trust Fund

and

KHYBER PAKHTUNKWA PROVINCE

Dated February 6, 2013
AGREEMENT dated , 2013, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION (collectively, “World Bank”), acting as administrator of the KP / FATA / Balochistan Multi-Donor Trust Fund, and KHYBER PAKHTUNKHWA PROVINCE (“Project Implementing Entity”) (“Project Agreement”) in connection with the KP / FATA / Balochistan Multi-Donor Trust Fund Grant Agreement (“Grant Agreement”) of same date between Islamic Republic of Pakistan (“Recipient”) and the World Bank. The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in the Appendix to the Grant 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 Grant Agreement or the Standard Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is the Secretary of the Local Government, Elections, and Rural Development Department.

3.02. The World Bank’s Address is:

International Bank for Reconstruction and Development / International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America
Cable: INTBAFRAD 248423(MCI) or 1-202-477-6391
Telex: Washington, D.C. 64145(MCI)
Facsimile:

3.03. The Project Implementing Entity’s Address is:

Local Government, Elections, and Rural Development Department
Government of Khyber Pakhtunkhwa
Peshawar
Khyber Pakhtunkhwa

Facsimile:
92-91-921-1450

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT /
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the KP / FATA / Balochistan Multi-Donor Trust Fund

By
Authorized Representative
Name: SACHID BENMESSAOUD
Title: COUNTRY DIRECTOR, WORLD BANK

KHYBER PAKHTUNKHWA PROVINCE

Authorized Representative
Name: DR. ASAD ALI KHAN
Title: DIRECTOR PROJECT, PSDD, KP
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall be responsible for Project management, implementation, and monitoring and evaluation in accordance with the following arrangements, and, to this end, shall maintain, throughout Project implementation, the entities referred to in paragraphs 2, 4, and 5 of this Part A with an institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the World Bank.

   Project Steering Committee

2. The Project Implementing Entity shall be responsible for Project policy and strategic orientation through the Project Steering Committee.

3. To this end, the Project Implementing Entity shall establish, not later than one (1) month after the date of this Agreement, the Project Steering Committee, with a composition, including the Additional Chief Secretary of the Project Implementing Entity as chair, an institutional framework, functions, and resources satisfactory to the World Bank.

   Local Government, Elections, and Rural Development Department

   Project Management Unit

4. The Project Implementing Entity shall be responsible for day-to-day Project management, implementation, and monitoring and evaluation through the Project Management Unit.

   District Review Committees

5. The Project Implementing Entity shall be responsible for the review and approval of Community Action Plans and Subprojects through the District Review Committees.

B. Anti-Corruption

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

C. Donor Use

Notwithstanding the right of the respective author, the Recipient or the Project Implementing Entity to copyright any books, publications or other copyrightable materials developed in the course of implementation of or under this Agreement, the
Project Implementing Entity shall grant to the Donors, upon the World Bank’s request, a royalty-free, non-exclusive, and irrevocable right to reproduce, publish or otherwise use, and to authorize others to use, such materials for government purposes.

D. **Project Operations and Financial Management Manuals**

1. The Project Implementing Entity shall:

   (a) ensure that the Project is carried out in accordance with the provisions of the Project Operations and Financial Management Manuals; and

   (b) not, except as the World Bank may otherwise agree in writing, assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2. In the event of a conflict between the provisions of either the Project Operations Manual or the Financial Management Manual and those of this Agreement, the latter shall govern.

E. **Annual Work Plans and Budgets**

The Project Implementing Entity shall:

(a) furnish to the World Bank for review and approval as soon as available, but in any case not later than April 30 of each fiscal year of the Project Implementing Entity, the annual work plan and budget for the Project for each such subsequent fiscal year of Project implementation, of such scope and detail as the World Bank shall have reasonably requested, except for the annual work plan and budget for the Project for the first such fiscal year of Project implementation, which shall be furnished not later than one (1) month after effectiveness of this Agreement; and

(b) thereafter ensure that the Project is carried out in accordance with such plan and budget as agreed with the World Bank.

F. **Subproject Grants**

1. **General**

The Recipient shall, through the District Review Committees, review and approve applications for Subproject Grants, and thereafter monitor and evaluate Subprojects, in accordance with the provisions of this Part F and the Project Operations Manual.

2. **Eligibility**

The Recipient shall provide a Subproject Grant to a Beneficiary in accordance with eligibility criteria acceptable to the World Bank, set forth in the Project Operations Manual, and which shall include the following:
(a) the Subproject application sets forth the Subproject objectives, activities, benefits, management arrangements, including for financial management, and a budget, including for operation and maintenance;

(b) the proposed Beneficiary, in the case of an Infrastructure Subproject Grant, is a Clustered Economic Interest Group, and, in the case of an Asset-Building Subproject Grant, is an Ultra-Poor or Vulnerable Clustered Economic Interest Group, both located in the Project area and meeting the relevant criteria specified in the Project Operations Manual;

(c) the Subproject figures in the relevant Community Action Plan approved by the respective District Review Committee;

(d) in the case of an Infrastructure Subproject, the Subproject has been assessed by the Beneficiary to be technically and economically feasible, environmentally sustainable, and having the potential to contribute to raising the productivity and income of the Beneficiary;

(e) the Subproject is consistent with the relevant technical, economic, financial, managerial, environmental, and social standards;

(f) the Subproject complies with the Environmental and Social Management Plan;

(g) the Subproject does not require Involuntary Resettlement; and

(h) the aggregate amount of Subproject Grants to a Beneficiary does not exceed the ceiling set forth in this regard in the Project Operations Manual.

3. Terms

The Recipient shall provide each Subproject Grant pursuant to a Subproject Grant Agreement between the Recipient, acting through the Project Management Unit, and the respective Beneficiary on terms and conditions approved by the World Bank, which shall include the following:

(a) the amount of the Subproject Grant, a description of the Subproject, its budget, and the applicable performance indicators;

(b) the right of the Recipient to suspend or terminate the right of the Beneficiary to use the proceeds of the Subproject Grant, or obtain a refund of all or any part of the amount of the Subproject Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Subproject Grant Agreement; and

(c) the obligation of the Beneficiary to:

(i) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial,
environmental, and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Recipient, the Project Operations Manual, and the Environmental and Social Management Plan;

(ii) prior to the award of any contract for the implementation of the Subproject, carry out a screening of the Subproject for potential environmental and social impacts and carry out the Subproject in accordance with the provisions of the Environmental and Social Management Plan;

(iii) ensure that any contract for works under the Subproject includes the obligation of the respective contractor to implement the Environmental and Social Management Plan;

(iv) provide, promptly as needed, the resources required for the purpose of the Subproject;

(v) procure the goods, works, and services to be financed out of the Subproject Grant in accordance with procedures consistent with Section III of this Schedule and set forth in the Project Operations Manual;

(vi) (A) maintain accounts and records acceptable to the World Bank and adequate to reflect the operations, resources, and expenditures related to the Subproject; and (B) at the Recipient's or the World Bank's request, have such accounts and records audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the accounts and records as so audited to the Recipient and the World Bank;

(vii) enable the Recipient and the World Bank to inspect the Subproject, its operation, and any relevant records and documents; and

(viii) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

4. The Recipient shall exercise its rights under each Subproject Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, any Subproject Grant Agreement or any provisions thereof.
G. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Safeguards Instruments, and, except as the World Bank shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, the aforementioned or any provision thereof.

2. The Project Implementing Entity shall ensure that:
   (a) no activities requiring Involuntary Resettlement are carried out under the Project;
   (b) any acquisition of land for purposes of the Project is carried out in consultation with the World Bank and on a voluntary donation or willing buyer/willing seller basis; and
   (c) any acquisition of land for purposes of the Project is financed exclusively out of the Project Implementing Entity's own or other resources, and not out of the proceeds of the Grant.

3. The Project Implementing Entity shall ensure that, for the purposes of each Subproject, and prior to the award of any contract for the implementation thereof, a screening of the Subproject for potential environmental and social impacts is carried out and that the Subproject is carried out in accordance with the provisions of the Environmental and Social Management Plan.

4. The Project Implementing Entity shall ensure that any contract for works under a Subproject includes the obligation of the respective contractor to implement the Environmental and Social Management Plan.

5. Without limitation upon its other reporting obligations under Section II.A.1 (a) of this Schedule, the Project Implementing Entity shall take all measures necessary to regularly collect, compile, and submit to the World Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, providing details of:
   (a) measures taken in furtherance of said Instruments;
   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of said Instruments; and
   (c) remedial measures taken or required to be taken to address such conditions.

6. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, the latter shall govern.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the Standard Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later twenty-five (25) days after the end of the period covered by such report for incorporation in and forwarding by the Recipient to the World Bank of the overall Project Report, except for every fourth (4th) such report, which shall cover the period of one (1) calendar year and be furnished to the World Bank not later than eleven (11) weeks after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

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<tr>
<th>No.</th>
<th>Indicator</th>
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<tbody>
<tr>
<td>1.</td>
<td>Number of Project beneficiaries and percentage of women therein</td>
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<tr>
<td>2.</td>
<td>Percentage of population accessing social infrastructure improved under the Project</td>
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<tr>
<td>3.</td>
<td>Percentage of population accessing productive infrastructure established under the Project</td>
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<tr>
<td>4.</td>
<td>Number of Economic Interest Groups established or revitalized and number of Clustered Economic Interest Groups established</td>
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<td>5.</td>
<td>Percentage of Clustered Economic Interest Groups using participatory planning and implementation</td>
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<td>6.</td>
<td>Percentage of Community Action Plans reflecting arrangements for community engagement in post-Project sustainability or operation and maintenance</td>
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<tr>
<td>7.</td>
<td>Percentage of beneficiaries (disaggregated by gender) confirming that Project investments reflect their needs</td>
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<tr>
<td>8.</td>
<td>Percentage of Economic Interest Group members (disaggregated by</td>
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<tr>
<td>9</td>
<td>Percentage of Community Action Plans approved by District Review Committees</td>
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<td></td>
<td><strong>Part B of the Project</strong></td>
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<tr>
<td>10</td>
<td>Percentage of approved Community Action Plans implemented in a timely manner and published on the Project website</td>
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<tr>
<td>11</td>
<td>Number of Economic Interest Group members (disaggregated by gender) benefiting from social infrastructure improved or established under the Project</td>
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<td>12</td>
<td>Number of Economic Interest Group members (disaggregated by gender) benefiting from productive infrastructure established under the Project</td>
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<td>13</td>
<td>Number of Ultra-Poor or Vulnerable Economic Interest Group members (disaggregated by gender) benefiting from reacquisition of lost assets under the Project</td>
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<td><strong>Part C of the Project</strong></td>
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<tr>
<td>14</td>
<td>Project monitoring and evaluation system established and functional and timely reporting against performance indicators</td>
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<tr>
<td>15</td>
<td>Percentage of Project Management Unit staff (disaggregated by gender) utilizing knowledge and skills gained through capacity building under the Project</td>
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<tr>
<td>16</td>
<td>Percentage of Subprojects identified in Community Action Plans for which Subproject Grants have been disbursed in a timely manner</td>
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2. The Project Implementing Entity shall provide to the Recipient not later than five (5) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the Standard Conditions, all such information as the Recipient or the World Bank shall reasonably request for the purposes of that Section.

B. **Annual Reviews**

The Project Implementing Entity shall participate in the review referred to in Section II.B of Schedule 2 to the Grant Agreement, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the reports referred to in said Section and the World Bank’s views on the matter.
C. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources, and expenditures related to the Project.

2. The Project Implementing Entity shall prepare and furnish to the Recipient and the World Bank, 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 World Bank.

3. The Project Implementing Entity shall have its financial statements referred to in paragraph 1 above audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the World Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the World Bank.

4. The Project Implementing Entity shall ensure that, not later than nine (9) months after the date of this Agreement, the Project is incorporated in the Recipient's national financial management information system in a manner satisfactory to the World Bank.

Section III. Procurement

All goods, works, and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement.