KP/FATA/BALOCHISTAN MDTF GRANT NUMBER TF0A336-PK

KP/FATA/Balochistan Multi-Donor Trust Fund
Project Agreement
(Governance and Policy Project for Khyber Pakhtunkhwa)

between

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

and

PROVINCE OF KHYBER PAKHTUNKHWA

Dated 09 MAY, 2017
PROJECT AGREEMENT

AGREEMENT dated May 09, 2017, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION (collectively, “World Bank”) and the PROVINCE OF KHYBER PAKHTUNKHWA (“Project Implementing Entity”) (“Project Agreement”) in connection with the Grant Agreement (“Grant Agreement”) of the same date between the ISLAMIC REPUBLIC OF PAKISTAN (“Recipient) and the World Bank. The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL 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 General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives 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 its Additional Chief Secretary, Planning and Development Department.
3.02. The World Bank’s Address is:

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

    Telex: 248423 (MCI) or 64145 (MCI)
    Facsimile: 1-202-477-6391

3.03. The Project Implementing Entity’s Address is:

    Attached Department Complex
    Khyber Road
    Peshawar 25000
    Khyber-Pakhtunkhwa
    Pakistan

    Facsimile: 92-91-921-0434
AGREED at Islamabad, Islamic Republic Pakistan, as of the day and year first above written.

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

By

[Signature]

Authorized Representative

Name: **ILLANGOVAM PATCHAMUTHU**

Title: **COUNTRY DIRECTOR**

PROVINCE OF KHYBER PAKHTUNKHWA

By

[Signature]

Authorized Representative

Name: **AZAM KHAN**

Title: **ADD: CHIEF SECRETARY**
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall vest the overall responsibility for the implementation of Project activities in its Planning and Development Department ("P&DD") and Finance Department ("FD"). To this end, the Project Implementing Entity shall:

(a) establish by not later than three (3) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, a Project Steering Committee ("PSC"), headed by the Additional Chief Secretary of the P&DD with the participation of representatives of the Project Implementing Entity’s FD, KPRA, Public Procurement Regulatory Authority, and other selected Line Departments, with composition and terms of reference satisfactory to the World Bank. The PSC shall be responsible for providing oversight of the Project activities, including periodic review of Project activities, identifying problems and corrective measures, providing policy guidance, and coordinating inter-departmental efforts, in the implementation of the Project. The PSC shall meet at least twice every fiscal year;

(b) no later than three (3) months after the Effective Date (i) establish and thereafter maintain throughout the period of implementation an Operations Support Unit ("OSU") headed by a coordinator, and (ii) appoint two finance officers, two account assistants, and two procurement assistants to the OSU, and two account officers (one for FD and one for P&DD), all with qualifications and experience and under terms of reference satisfactory to the World Bank. The OSU shall be responsible for, among other things, procurement and contract management, financial management, internal audit, monitoring and evaluation, strategic communications, gender, information and communication technology, and organization of learning activities; and

(c) establish no later than three (3) months after the Effective Date and thereafter maintain throughout the period of implementation a Governance Reform Support Unit ("GRSU") headed by a governance specialist. The GRSU shall be responsible for, among other things, coordination of technical support and monitoring of the Khyber Pakhtunkhwa development needs assessment, implementation in governance reforms, citizen engagement, and public-private partnerships.
2. The Project Implementing Entity shall, no later than three (3) months after the Effective Date, establish a system for handling procurement complaints that is acceptable to the World Bank.

3. The Project Implementing Entity shall, by no later than one (1) month after the Effective Date, establish and thereafter maintain throughout the implementation of the Project (a) a grievance redress mechanism with guidelines and procedures satisfactory to the World Bank; and (b) a grievance redress committee with composition and terms of reference satisfactory to the World Bank.

B. Project Documents

1. The Project Implementing Entity shall:
   (a) implement the Project in accordance with the Project Operations Manual; provided, however, that in the event of conflict between the provisions of said manual, on the one hand, and those of this Agreement or the Grant Agreement, on the other hand, the provisions of the latter shall govern; and
   (b) not amend, suspend, waive, and/or void any provision of the Project Operations Manual, whether in whole or in part, without the prior written agreement of the World Bank.

C. Plans and Strategies

1. The Project Implementing Entity shall, throughout Project implementation, furnish to the World Bank for approval as soon as available, but in any case not later than three (3) months after the start of each Fiscal Year, an annual work plan and budget for the Project for each subsequent Fiscal Year, of such scope and detail as the World Bank shall have reasonably requested, except for the annual work plan and budget for the first Fiscal Year, which shall be furnished prior to the commencement of any activities under the Project.

2. The Recipient shall, no later than one (1) month after furnishing to the World Bank each annual work plan and budget referred to in the preceding paragraph, the World Bank having provided no-objection, ensure that the same is approved by the Project Steering Committee, and shall thereafter ensure that the Project is carried out in accordance with such plan and budget as agreed in writing with the World Bank.

D. Anti-Corruption

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

1. The Project Implementing Entity shall appoint a Third-Party Monitoring Agent ("TPMA") not later than six (6) months after the Effective Date, with terms of reference, and on terms and conditions, acceptable to the World Bank. The TPMA shall be responsible for monitoring and reporting on the achievement of Disbursement-linked Indicators ("DLIs") as set forth in Schedule 3 of the Grant Agreement; and (b) without limitation on its other reporting obligations under this Agreement, the Project Implementing Entity shall furnish such reports to the World Bank, prior to each Withdrawal during the implementation of the Project, in accordance with the verification protocol set out in the Project Operations Manual.

Section II. Project Monitoring, Reporting, and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and 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 World Bank. Each such Project Report shall cover the period of six (6) months, and shall be furnished to the Recipient and the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Project Implementing Entity shall (a) prepare the Project execution/completion report referred to in Section 4.08(c) of the General Conditions; and (b) furnish it to the Recipient and the World Bank not later than six (6) months after the Closing Date.

B. 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. Further to this end, the Project Implementing Entity shall, by no later than three (3) months after the Effective Date, update Financial Management Manual, in form and substance satisfactory to the World Bank, and adopt it for use by the entities responsible for the maintenance of the financial management system; ensuring that the same financial management manual shall include, among other things, a strong and comprehensive internal control framework for Project activities, cash and bank management, payroll processing, payment processing and service standards, and a DLI/DLR verification protocol.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to 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 that quarter, in form and substance satisfactory to the World Bank.

3. The Project Implementing Entity shall have its financial statements referred to 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 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. Without limitation upon the provisions of paragraphs 2 and 3 of this Section II.B, the Project Implementing Entity shall, no later than six (6) months after the date of this Project Agreement, appoint, pursuant to procedures provided for in Section III below, and maintain throughout the period of Project implementation, a chartered financial accounting firm to undertake periodic internal audits of the Project, with qualifications and terms of reference satisfactory to the World Bank.

Section III. Procurement

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

2. The Project Implementing Entity shall establish by not later than three (3) months after the Effective Date, and thereafter maintain throughout the period of Project implementation:

   (a) a procurement documentation and record-keeping system, including a publicly accessible website, in a format agreed with the World Bank, showing, among other things, the Project procurement plans, complete bidding documents, the status of procurement of various contracts (the summary of proposals/bid evaluations and awards), contract performance and payment delays, and a list of procurement complaints and their status; and

   (b) a system for handling procurement complaints, in a manner and substance acceptable to the World Bank, which shall include, among other things, the maintenance of a complaint database, a standard protocol setting forth triggers for carrying out investigations, and a sanctions regime.
Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the World Bank’s prescribed complaint redress mechanism shall apply.
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