Public Disclosure Authorized

OFFICIAL DOCUMENTS

KP / FATA / BALOCHISTAN MDTF
GRANT NUMBER TF013560-PK

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

(Khyber Pakhtunkhwa Southern Area Development Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION

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

Dated February 6, 2013

Public Disclosure Authorized

KP / FATA / BALOCHISTAN MDTF
GRANT NUMBER TF013560-PK

KP / FATA / BALOCHISTAN MULTI-DONOR TRUST FUND GRANT AGREEMENT

AGREEMENT dated February 6, 2013, entered into between: ISLAMIC REPUBLIC OF PAKISTAN ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION (collectively, "World Bank"), acting as administrator of the Khyber Pakhtunkhwa ("KP") / Federally Administered Tribal Areas ("FATA") / Balochistan Multi-Donor Trust Fund.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Section II of 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 Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause the Project to be carried out by Khyber Pakhtunkhwa Province ("Project Implementing Entity") in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time ("Project Agreement").

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to eighteen million Dollars ($18,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) The Member Country has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement.

(b) The Project Implementing Entity has failed to perform any obligation under the Project Agreement.

(c) IBRD or IDA has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and / or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in

connection with the use of the proceeds of a financing made by such financier.

(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement.

(e) The Recipient's Constitution of 1973, pursuant to which the Project Implementing Entity has been established and is operating has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

Article V
Recipient's Representative; Addresses

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Economic Affairs Division of the Ministry of Economic Affairs and Statistics, each of such persons acting individually.

5.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamabad
Pakistan

Facsimile:

92-51-921-8976

5.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	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: ALI RAZA BHUTTA

Title: JOINT SECRETARY, EAD

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: RACHID BENMESSAOUD

Title: COUNTRY DIRECTOR, WORLD BANK

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the capacity of the poor to improve their livelihood options through access to social and productive infrastructure using participatory approaches in selected districts of southern Khyber Pakhtunkhwa Province.

The Project consists of the following parts:

A. Community Development Support

1. Facilitation

Recruitment and training of facilitators for the provision of guidance to Economic Interest Groups and Clustered Economic Interest Groups in relation to social mobilization, capacity building, and community planning through inclusive, transparent, and participatory planning processes leading to the development of Community Action Plans.

2. Advisory Services and Input Support

Provision of advisory services in relation to crop and livestock management (both on-farm and off-farm), and of input support, including adoption of new technology to enhance capacity to purchase inputs, to farming and post-production processing Economic Interest Groups and their Clustered Economic Interest Groups, capacity building of said Groups for purposes of facilitating access to such advisory services and input support and in relation to participatory planning and operation and maintenance of Subprojects, and economic mobilization of said Groups for enterprise development.

3. Communications and Knowledge

Carrying out of a communications and knowledge program in relation to the Project for local communities and other stakeholders.

B. Community-Driven Investment

1. Social Infrastructure

Rehabilitation, rebuilding, and improvement of social infrastructure, such as schools, feeder roads, culverts, bridges, drifts, stock trading routes, boreholes, community health facilities, potable water supply facilities,

rural electrification, and community water storage tanks, on the basis of Community Action Plans.

2. Productive Infrastructure

Establishment of small-scale productive physical and socioeconomic infrastructure, income-earning assets, and extension service-type activities, such as vocational training / skills development centers, community grain storage facilities, community agro-processing facilities, cattle troughs, small to medium irrigation schemes, resting points along stock trading routes, livestock water pools, on-farm technology improvements, and other key infrastructure based on collective demand, all principally in the agriculture and livestock sectors and focusing on farming activities, youth income generation, and sustainable livelihoods.

3. Asset Building for the Ultra-Poor

Provision of emergency assistance to the ultra-poor and the vulnerable for purposes of reacquisition of lost assets, such as shelter or income source (livestock, poultry), and rejoining economic activity.

C. Project Implementation Support

Project management, development of a communications strategy, a governance and accountability framework, and a monitoring and evaluation system in relation to the Project, exploration of introduction of new or innovative approaches to community-government partnerships, minor repairs to district offices in participating districts, and capacity building of Project staff in relation to Project implementation.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. On-granting

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity on a non-reimbursable basis in accordance with the Recipient's on-granting and budgetary policies and procedures.

2. Notwithstanding paragraph 1 above, in the event of a conflict between the on-granting and budgetary policies and procedures of the Recipient and the provisions of this Agreement, including such additional instructions as the World Bank shall have specified by notice to the Recipient pursuant to Section IV.A of this Schedule, the provisions of this Agreement, including said additional instructions, shall govern.

3. The Recipient shall exercise its rights under the on-granting arrangements referred to in paragraph 1 above in such a manner as to protect its interests and those of the World Bank and to accomplish the purposes of the Grant, and, except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, such rights.

B. Anti-Corruption

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

C. Donor Visibility, Visit, and Use

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donors to visit any part of the Recipient's territory for purposes related to the Project.

3. 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 Recipient shall grant, and shall cause the Project Implementing Entity to 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. Safeguards

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

2. The Recipient 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.

Section II. <u>Project Monitoring, Reporting and Evaluation</u>

A. Project Reports; Completion Report

1. The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in Section II.A.1 (b) of the Schedule to the Project Agreement. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such 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 three (3) months after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Annual Reviews

The Recipient shall review jointly with the World Bank and the Project Implementing Entity, not later than one (1) month after the submission of every fourth Project Report to the World Bank, such Report and the three (3) preceding, 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 said Reports and the World Bank's views on the matter.

C. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall cause the Project Implementing Entity to have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. <u>Procurement</u>

A. General

1. **Procurement and Consultant Guidelines.** All goods, works, and non-consulting services, and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section 1 of 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 ("Procurement Guidelines")

in the case of goods, works, and non-consulting services, and Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank 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, Works, and Non-Consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works, and Non-Consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works, and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out in the Annex to this Schedule; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures which have been found acceptable to the World Bank.

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 assignments which are specified in the Procurement Plan: (a) Quality-Based Selection; (b) Selection under a Fixed Budget; (c) Least-Cost Selection; (d) Selection based on the Consultants'

Qualifications; (e) Single-Source Selection of firms; (f) Selection of Individual Consultants; and (g) Single-Source Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance one hundred percent (100%) of Eligible Expenditures consisting of Subproject Grants, goods, works, non-consulting services, consultants' services (including for audits), Training, and Operating Costs under the Project.

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 $1,500,000 equivalent may be made for payments made prior to this date but on or after May 1, 2012, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.

ANNEX TO SCHEDULE 2

National Competitive Bidding: Additional Provisions

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those set out in Rules 18-22, 24, 31, 35, and 36 of the North-West Frontier Province Public Procurement Rules, with the modifications set out below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. In the event of a conflict between the Recipient's procedures and the modifications set out below, the latter shall govern.

(i) Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least fifteen (15) days prior to the deadline for the submission of bids.

(ii) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.

(iii) Foreign bidders shall not be precluded from bidding, and no preference of any kind shall be given to national bidders in the bidding process.

(iv) Bidding shall not be restricted to pre-registered firms.

(v) Qualification criteria shall be stated in the bidding documents.

(vi) Bids shall be opened in public, immediately after the deadline for the submission of bids.

(vii) Single bids shall also be evaluated.

(viii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior written agreement of the World Bank.

(ix) Before rejecting all bids and soliciting new bids, the World Bank's prior written agreement shall be obtained.

(x) Contracts shall not be awarded on the basis of nationally negotiated rates.

(xi) Contracts shall be awarded to the lowest evaluated and qualified bidder.

(xii) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidder.

(xiii) Bids for contracts for works shall be solicited, and such contracts awarded, on the basis of unit price, and not a composite schedule of rates.

(xiv) Draft contracts shall be reviewed by the World Bank in accordance with prior review procedures.

(xv) A firm declared ineligible by the World Bank, based on a determination by the World Bank that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or executing a World Bank-financed contract, shall be ineligible to be awarded a World Bank-financed contract during the period of time determined by the World Bank.

(xvi) Each contract financed from the proceeds of the Grant shall provide that the suppliers, contractors, and subcontractors shall permit the World Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the World Bank. The deliberate and material violation by the supplier, contractor, or subcontractor of such provision may amount to an obstructive practice.

(xvii) State-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.

(xviii) The World Bank shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank 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 World Bank.

APPENDIX

Section I. Definitions

1. "Asset-Building Subproject" means a specific asset-building investment activity carried out under Part B.3 of the Project, financed or proposed to be financed through an Asset-Building Subproject Grant (as hereinafter defined) in accordance with the eligibility criteria specified in Section I.F.2 of the Schedule to the Project Agreement and in further detail in the Project Operations Manual (as hereinafter defined).

2. "Asset-Building Subproject Grant" means a cash award made or proposed to be made to an Asset-Building Subproject Grant Beneficiary out of the proceeds of the Grant to finance an Asset-Building Subproject pursuant to an Asset-Building Subproject Grant Agreement (as hereinafter defined).

3. "Asset-Building Subproject Grant Agreement" means an agreement, referred to in Section I.F.3 of the Schedule to the Project Agreement, between the Recipient, acting through the Project Management Unit, and an Asset-Building Subproject Grant Beneficiary (as hereinafter defined), setting forth the terms and conditions governing an Asset-Building Subproject Grant.

4. "Asset-Building Subproject Grant Beneficiary" means an Ultra-Poor or Vulnerable Clustered Economic Interest Group (as hereinafter defined) meeting specific criteria set forth in the Project Operations Manual and which is the beneficiary of an Asset-Building Subproject Grant and party to an Asset-Building Subproject Grant Agreement.

5. "Balochistan" means the Recipient's administrative subdivision of that name in the southwest of its territory or a successor thereto.

6. "Beneficiary" means an Asset-Building Subproject Grant Beneficiary or an Infrastructure Subproject Grant Beneficiary.

7. "Clustered Economic Interest Groups" means, collectively, duly constituted and registered *Tehsil* (as hereinafter defined)-level federations of Economic Interest Groups (as hereinafter defined) or successors thereto.

8. "Clustered Ultra-Poor or Vulnerable Economic Interest Groups" means, collectively, duly constituted and registered *Tehsil* (as hereinafter defined)-level federations of Ultra-Poor or Vulnerable Economic Interest Groups (as hereinafter defined) or successors thereto.

9. "Community Action Plans" means, collectively, communities' agreed plans setting forth Subprojects (as hereinafter defined), constraints and opportunities to

be addressed through the provision of advisory services in relation to enterprise production and marketing, mechanisms for financing the operation and maintenance of Subprojects, a plan for the capacity building of Clustered Economic Interest Groups in relation to financial management, community-based procurement, environmental and social impact screening of Infrastructure Subprojects (as hereinafter defined), conflict mitigation and management, and other aspects of the organization and management of associations, potential recipients of Subproject Grants (as hereinafter defined), and a mechanism for the management and resolution of conflicts, especially in relation to user group rights, and such term includes any annexes or schedules to such plans.

10. "District Review Committees" means, collectively, the Project Implementing Entity's committees, under the Project Management Unit, referred to in Section I.A.5 of the Schedule to the Project Agreement, or successors thereto.

11. "Economic Interest Groups" means duly constituted and registered economic affinity-based community groups or successors thereto.

12. "Environmental and Social Assessment" means the Project Implementing Entity's assessment, dated September 24, 2012, prepared in accordance with the provisions of the Environmental and Social Screening and Assessment Framework (as hereinafter defined), and agreed with the World Bank, and setting forth the environmental and social impacts of the Project, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such assessment.

13. "Environmental and Social Management Plan" means the Project Implementing Entity's plan, dated September 24, 2012, prepared in accordance with the provisions of the Environmental and Social Assessment, and agreed with the World Bank, and setting forth guidelines for the environmental and social screening of Subprojects and mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of Subprojects, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plan.

14. "Environmental and Social Screening and Assessment Framework" means the World Bank's framework, dated December 2010, agreed with the World Bank and setting forth guidelines relating to mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of projects under the KP / FATA / Balochistan Multi-Donor Trust Fund (as hereinafter defined), offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may

be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such framework.

15. "FATA" or "Federally Administered Tribal Areas" means the Recipient's administrative subdivision of that name in the northwest of its territory or a successor thereto.

16. "Financial Management Manual" means the Recipient's manual, dated March 2012 and agreed with the World Bank, setting out financial management and disbursement arrangements for purposes of projects under the KP / FATA / Balochistan Multi-Donor Trust Fund, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such manual.

17. "Infrastructure Subproject" means a specific infrastructure investment activity carried out under Part B.1 or B.2 of the Project, financed or proposed to be financed through an Infrastructure Subproject Grant (as hereinafter defined) in accordance with the eligibility criteria specified in Section I.F.2 of the Schedule to the Project Agreement and in further detail in the Project Operations Manual.

18. "Infrastructure Subproject Grant" means a cash award made or proposed to be made to an Infrastructure Subproject Grant Beneficiary out of the proceeds of the Grant to finance an Infrastructure Subproject pursuant to an Infrastructure Subproject Grant Agreement (as hereinafter defined).

19. "Infrastructure Subproject Grant Agreement" means an agreement, referred to in Section I.F.3 of the Schedule to the Project Agreement, between the Recipient, acting through the Project Management Unit, and a Beneficiary, setting forth the terms and conditions governing an Infrastructure Subproject Grant.

20. "Infrastructure Subproject Grant Beneficiary" means a Clustered Economic Interest Group meeting specific criteria set forth in the Project Operations Manual and which is the beneficiary of an Infrastructure Subproject Grant and party to an Infrastructure Subproject Grant Agreement.

21. "Involuntary Resettlement" means: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of the affected person.

22. "KP", "Khyber Pakhtunkhwa", or "Khyber Pakhtunkhwa Province" means the Recipient's administrative subdivision of that name in the northwest of its territory or a successor thereto.

23. "KP / FATA / Balochistan Multi-Donor Trust Fund" means the multi-donor trust fund, approved by the Board of Executive Directors of the World Bank on January 15, 2010 and administered by the World Bank, the objective of which is to support the implementation of a program of reconstruction and development aimed at facilitating the recovery of affected regions in KP, FATA, and Balochistan from the impact of armed conflict and reducing the potential for escalation or resumption, or any successor thereto.

24. "Local Government, Elections, and Rural Development Department" means the Project Implementing Entity's department responsible for the management of local government, elections, and rural development, or a successor thereto.

25. "North-West Frontier Province Public Procurement Rules" means the Recipient's North-West Frontier Province Public Procurement Rules (SO)FR/9-7/2002 dated December 29, 2002 and applicable to procurement by Khyber Pakhtunkhwa Province.

26. "Operating Costs" means the incremental operating costs under the Project incurred by the Recipient and the Project Implementing Entity for purposes of Project management and implementation, on the basis of the annual work plans and budgets referred to in Section I.E of the Schedule to the Project Agreement, 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 Project Implementing Entity's civil service.

27. "Project Management Unit" means the Project Implementing Entity's unit, under the Local Government, Elections, and Rural Development Department, established and operating pursuant to the Project Implementing Entity's Notification No. Dir (LG)PDWP19.9.2012/2012 dated October 11, 2012 and responsible for the day-to-day management and implementation of projects in KP, or a successor thereto.

28. "Project Operations Manual" means the Project Implementing Entity's manual, dated November 2012, adopted pursuant to its Notification No. Dir (LG/SADP)/2012 dated November 27, 2012 and agreed with the World Bank, setting out implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of Project implementation, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such manual.

29. "Project Steering Committee" means the Project Implementing Entity's committee referred to in Sections I.A.2 and 3 of the Schedule to the Project Agreement, to be established for purposes of Project policy and strategic orientation, or a successor thereto.

30. "Safeguards Instruments" means, collectively, the Environmental and Social Screening and Assessment Framework, the Environmental and Social Assessment, and the Environmental and Social Management Plan.

31. "Subprojects" means, collectively: (a) Infrastructure Subprojects; and (b) Asset-Building Subprojects.

32. "Subproject Grant Agreements" means, collectively: (a) Infrastructure Subproject Grant Agreements; and (b) Asset-Building Subproject Grant Agreements.

33. "Subproject Grants" means, collectively: (a) Infrastructure Subproject Grants; and (b) Asset-Building Subproject Grants.

34. "*Tehsil*" means an administrative subdivision of the Recipient under a district or a successor thereto.

35. "Training" means the cost of training financed under the Project, on the basis of the annual work plans and budgets referred to in Section I.E of the Schedule to the Project Agreement, attributable to seminars, workshops, and study tours, along with the cost of domestic and international travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation.

36. "Ultra-Poor or Vulnerable Economic Interest Group" means an Economic Interest Group meeting the criteria specified in the Project Operations Manual for classification as such for purposes of the Project.

Section II. Modification to the Standard Conditions

The modification to the Standard Conditions is as follows:

Section 3.06 (a) is modified to read as follows:

"(a) the payment is for the reasonable cost of subproject grants, goods, works, non-consulting services, consultants' services (including for audits), training, or operating costs required for the Project, to be financed out of the proceeds of the Grant, and procured, all in accordance with the provisions of the Grant Agreement;"