Project Agreement for Part Z

(NWFP On-Farm Water Management Project and Second NWFP Community Infrastructure Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NORTH WEST FRONTIER PROVINCE

Dated December 6, 2005
PROJECT AGREEMENT FOR PART Z

AGREEMENT dated December 6, 2005, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and NORTH WEST FRONTIER PROVINCE acting by its Governor (NWFP).

(A) WHEREAS by the Agreement Amending Selected Development Credit Agreements (the “Amending Agreement”) of even date herewith between the Islamic Republic of Pakistan (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty million seven hundred and sixty six thousand Special Drawing Rights (SDR 20,766,000), through reallocations and additional financing, on the terms and conditions set forth in the Amending Agreement, but only on condition that NWFP agrees to undertake such obligations toward the Association as are set forth in this Agreement; and

(B) WHEREAS NWFP, in consideration of the Association’s entering into the Amending Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Selected Development Credit Agreements, the Agreement Amending Selected Development Credit Agreements (the Amending Agreement), the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of Part Z of the Project

Section 2.01. (a) NWFP declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Selected Development Credit Agreements as amended by the Amending Agreement, and, to this end, shall carry out Part Z of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and community development practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part Z of the Project.
(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and NWFP shall otherwise agree, NWFP shall carry out Part Z of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for Part Z of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement, as said provisions may be further elaborated in the Procurement Plan for Part Z.

(b) NWFP shall update the Procurement Plan for Part Z in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than six (6) months after the date of the preceding Procurement Plan for Part Z, for the Association’s approval.

Section 2.03. (a) NWFP shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part Z of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, NWFP shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date for Part Z of the Project (set out in paragraph 6 of Schedule 1 to each Selected Development Credit Agreement as amended in Section 5.02 of the Amending Agreement), or such later date as may be agreed for this purpose between the Association and NWFP, a plan designed to ensure the continued achievement of the objectives of Part Z of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with NWFP on said plan.

Section 2.04. (a) NWFP shall, at the request of the Association, exchange views with the Association with regard to the progress of Part Z of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credits.
(b) NWFP shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part Z of the Project, the accomplishment of the purposes of the Credits, or the performance by NWFP of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) NWFP shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part Z of the Project.

(b) with respect to Part Z, NWFP shall:

(i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such period as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 3.02. (a) Without limitation upon NWFP’s reporting obligations set out in Schedule 2 of this Agreement, NWFP shall prepare and furnish to the Association a Financial Monitoring Report for Part Z, in form and substance satisfactory to the Association, which:
(i) sets forth sources and uses of funds for Part Z of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the respective Credits, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in implementation of Part Z of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under Part Z of the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Part Z of the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty five (45) days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Amending Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of NWFP thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Amending Agreement shall terminate in accordance with its terms; or

(ii) the date twenty (20) years after the date of this Agreement.

(b) If the Amending Agreement terminates in accordance with its terms before the date specified in paragraph (a)(ii) of this Section, the Association shall promptly notify NWFP of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.
ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party’s address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

Cable address: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391

For NWFP:

Governor
North West Frontier Province
Peshawar, Pakistan

Cable address: 92-91-9210354
Telex: 92-91-9210354
Facsimile: 92-91-9210354

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NWFP may be taken or executed by the Additional Chief Secretary (Development), Government of NWFP, or such other person or persons he/she shall designate in writing, and he/she shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Islamabad, Pakistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John Wall

Country Director
Pakistan

NORTH WEST FRONTIER PROVINCE

By /s/ Syed Manzoor Ali Shah

Authorized Representative
SCHEDULE 1

Procurement and Consultants’ Services for Part Z

Section I. General

A. Notwithstanding anything in this Agreement, all goods, works, and services (other than consultants’ services) for Part Z of the Project shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendices 1 and 2 to, the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works, and Services (other than Consultants’ Services)

1. National Competitive Bidding. Goods estimated to cost more than $25,000 equivalent per contract and works estimated to cost more than $30,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

   (i) Invitation to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of the bid;
   (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 submission of bids;
   (vii) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
(viii) before rejecting all bids and soliciting new bids, the Association’s prior concurrence shall be obtained;
(ix) bids shall be solicited and contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates;
(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-bid negotiations shall not be allowed with the lowest evaluated or any other bidders; and
(xiii) cost estimates shall be prepared on current market rates.

2. **Shopping.** Works estimated to cost less than US$30,000 equivalent per contract, goods (other than vehicles) estimated to cost less than US$25,000 equivalent per contract, and all vehicles regardless of value, may be procured under contracts awarded on the basis of Shopping.

3. **Community Participation.** Goods, works, and services required for Part Z of the Project may be procured on the basis of Community Participation in accordance with paragraph 3.17 of the Procurement Guidelines.

4. **Direct Contracting.** Works and goods which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method. Direct Contracting shall only be allowed for a period of one year from the Effective Date of this Agreement.

5. **Force Account.** Works which the Association agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method.

Section III. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Consultants’ services may be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $500,000 equivalent per contract may comprise entirely national consultants.

2. **Quality-based Selection.** Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.
3. **Selection under a Fixed Budget.** Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

4. **Least-cost Selection.** Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

5. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $200,000 equivalent per contract may, with the Association’s prior agreement, be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

6. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association’s prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines. Single Source Selection shall only be allowed for a period of one year from the Effective Date of this Agreement.

7. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

**Section IV. Review by the Association of Procurement Decisions**

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) the first contract for goods and works procured using National Competitive Bidding and Shopping regardless of value; (b) each contract for goods and works estimated to cost the equivalent of $100,000 or more; (c) the first contract for consultants’ services awarded to a firm by each implementing entity, regardless of value; (d) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more per contract; (e) the first contract for consultants’ services awarded to an individual consultant by each implementing entity, regardless of value; and (f) each contract for consultants’ services provided by individual consultants estimated to cost the equivalent of $50,000 or more. All other contracts shall be subject to Post Review by the Association.
SCHEDULE 2

Implementation Program for Part Z of the Project

A. General

1. NWFP shall implement Part Z of the Project in accordance with the Environmental and Social Assessment Guidelines for Part Z, and except as the Association shall otherwise agree, shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of Part Z of the Project.

2. NWFP shall, throughout implementation of Part Z of the Project, maintain the Provincial Steering Committee, the Project Coordination and Monitoring Unit and District Coordination Committees in each Affected Area, with functions, staffing and resources satisfactory to the Association.

3. NWFP shall take steps to ensure that, throughout implementation of Part Z of the Project, adequate levels of staffing are maintained as needed for the Project and agreed with the Association from time to time.

B. Sub-Projects

4. NWFP shall ensure that only those Sub-Projects which meet the following requirements shall be entitled to receive financing under Part Z of the Project:

5. The general eligibility criteria for the Sub-Projects to be financed under Part Z.1 of the Project are:

   (a) All Sub-Projects must be attributable to damage caused by the earthquake and the unusual rainfall/snow fall events of February-March 2005 and the June-July 2005 river floods;

   (b) Sub-Projects relating to all sectors (except the road and irrigation sectors) costing more than three hundred thousand Rupees (Rs. 300,000) will be eligible to be financed under Part Z of the Project;

   (c) Sub-Projects relating to restoration of roads under Part Z.1(a) of the Project must be selected from those reported by the relevant district administration; and
(d) With the exception of the earthquake-Affected Areas of Abottabad, Shangla, Mansehra, Kohistan and Battagram, irrigation canals that do not belong to the government will not be rehabilitated under Part Z.1(d) of the Project.

6. The following Sub-Projects under Part Z.1 of the Project will get priority for financing:

(a) For restoration of roads under Part Z.1(a) of the Project:
   (i) Reconstruction/repairs of the major bridges;
   (ii) Roads that are vital for economic activities such as those used for transporting consumable goods and agricultural produce;
   (iii) Roads that benefit more population; and
   (iv) Roads that pose risks to plying traffic.

(b) For repair and/or reconstruction of government administration buildings under Part Z.1 (b) of the Project:
   (i) Completely destroyed buildings as against partially damaged buildings; and
   (ii) Replacement or repair of vital basic damaged furniture in the restored government administration buildings.

(c) For repair and/or reconstruction of schools under Part Z.1(b) of the Project:
   (i) Completely destroyed schools as against partially damaged schools; and
   (ii) Replacement or repair of vital basic damaged furniture and teaching equipment in the restored schools.

(d) For repair and/or reconstruction of health facilities under Part Z.1(b) of the Project:
   (i) Completely destroyed dispensaries particularly in rural areas;
   (ii) Replacement or repair of vital basic damaged furniture and equipment in the restored hospital/dispensary.

(e) For repair of water supply schemes under Part Z.1(c) of the Project:
   (i) Restoration of all water supply schemes reported damaged to their pre-Emergency conditions; and
   (ii) Restoration works for schemes where the outages are frequent.
(f) For repair/restoration of irrigation canals under Part Z.1(d) of the Project:

(i) Restoration of government canals reported damaged, to their pre-emergency conditions; and

(ii) Restoration of civil canals and irrigation systems in the earthquake-Affected Areas of Abottabad, Shangla, Mansehra, Kohistan and Battagram.

C. Review:

7. NWFP shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of Part Z of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Part Z of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Part Z of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by February 28, 2007, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Part Z of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.