Mr. Tariq Mahmood Pasha  
Secretary  
Economic Affairs Division  
Government of Pakistan  
Islamabad

Re: Islamic Republic of Pakistan: KP/FATA/Balochistan Multi-Donor Trust Fund  
Original Grant No. TF011857-PK; Additional Grant No. TF0A4166-PK  
(FATA Rural Livelihoods and Community Infrastructure Project)  
Amendment to the Grant Agreement

Dear Mr. Pasha:

We refer to the Grant Agreement dated April 12, 2012, as amended, between the Islamic Republic of Pakistan ("Recipient") and the International Bank for Reconstruction and Development and the International Development Association (collectively, the "World Bank"), acting as administrator of the KP/FATA/Balochistan Multi-Donor Trust Fund, and the Project Agreement dated the same date as the Grant Agreement, between the World Bank and the Federally Administered Tribal Areas ("Project Implementing Entity") for the above-referenced Project (the "Project").

Under the Grant Agreement, the World Bank extended to the Recipient a grant in an amount equal to twelve million United States Dollars (U.S. $12,000,000) ("Original Grant") to assist in the financing of the Project. The Recipient has requested the World Bank by a letter dated March 10, 2016 to provide an additional grant in an amount equal to eight million one hundred thousand United States Dollars (U.S. $8,100,000) ("Additional Grant") to scale-up the geographic coverage of the Project.

The World Bank has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in the Grant Agreement as amended up to the date of this amendment letter ("Amendment Letter"). Accordingly, the Recipient and the World Bank hereby agree to amend the Grant Agreement as set out below. The Project Agreement will be amended in a separate letter to be agreed between the World Bank and the Federally Administered Tribal Areas.

1. Article III (The Grant), Section 3.01 is amended as follows:

"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 twenty million one hundred thousand United States Dollars (U.S. $20,100,000), which consists of: (a) the Original Grant in an amount equal to twelve million United States Dollars (U.S. $12,000,000); and (b) the Additional Grant in an amount equal to eight million one hundred thousand United States Dollars (U.S. $8,100,000), together referred to as the "Grant", to assist in the financing of the Project."
2. Schedule 1 (Project Description) is replaced in its entirety and reads as follows:

1. Social Mobilization and Community Development

   (a) Social mobilization and awareness raising of local communities, including temporarily dislocated persons and returnees through locally-based indigenous civil society organizations, in relation to the Project and the necessary accompanying participatory process, including: (i) the carrying out of information campaigns; capacity building for joint planning, identification of development needs and priority interventions, particularly infrastructure schemes; peer-to-peer learning activities between various community groups; and development of state and citizen communication tools; and (ii) the preparation and implementation of community action plans to identify and support vulnerable and marginalized individuals and groups, such as women, youth, disabled, divorced, widowed, etc., to protect and strengthen their livelihoods.

   (b) Capacity building of local communities and locally-based indigenous civil society organizations.

2. Community Infrastructure and Services

Community demand-based rehabilitation, construction, and operation and maintenance of physical infrastructure, particularly in relation to water and sanitation (water supply, solid waste management), and productive infrastructure, particularly in relation to agriculture (cultivable wasteland, wholesale fruit and vegetable markets, storage, pack-houses), irrigation (water channels and watercourses, gravity-fed irrigation schemes, diversion bunds, irrigation tube-wells, water storage tanks), and livestock (commercial dairy and poultry farms, slaughterhouses, mobile veterinary clinics and services).

3. Livelihood Support

   (a) Agriculture-Based Livelihoods: Provision of support to farmer / community groups for improved agricultural production, including extension services, quality agricultural inputs, tools, and implements, improved technology, and technical assistance in relation to post-harvest techniques, particularly for highly perishable horticultural crops, water conservation and farming techniques, and off-season and tunnel farming.

   (b) Livestock-Based Livelihoods: Provision of support to livestock farming households, particularly those with women actively engaged in livestock management, including backyard poultry and small ruminants, backyard dairy development support, improved veterinary health care, and capacity building, and to local veterinary dispensaries and dairy farming artificial insemination centers.

   (c) Other Livelihoods: Carrying out of livelihood development activities in other sectors, as may be assessed and determined, which may include, inter alia, skills training, apprenticeship and enterprise development.
4. **Project Management and Implementation Support**

(a) Institutional strengthening of the FATA administration, including establishment of systems and procedures for participatory planning, implementation, and performance monitoring, preparation and implementation of a comprehensive training program, provision of exposure to similar community-driven development models through in-country and international experience exchange, introduction of new and innovative approaches to government-community partnerships, and establishment of linkages among the FATA administration, Project implementation staff, and local communities undertaking similar interventions in other parts of the country.

(b) Provision of technical assistance for quality delivery and impact assessments, including functional reviews and third-party monitoring, development of a communications strategy, and establishment of a complaints handling system, all in relation to Project implementation.

(c) Project management, including the financing of operating costs.”

3. **Section II.C of Schedule 2 to the Grant Agreement** is amended to include a new subparagraph as follows:

4. The Recipient shall, cause the Project Implementing Entity to: (a) by no later than three (3) months after the Effective Date of this Amendment Letter, hire and thereafter maintain throughout the Project, a competent firm of chartered accountants as internal auditors, or any other arrangements acceptable to the World Bank, with qualifications, experience and under terms of reference acceptable to the World Bank, to mitigate the fiduciary risks and strengthen the internal control environment of the Project; and (b) ensure that said internal auditors directly report to the Project Steering Committee.

4. **Section IV**, including the disbursement table in Schedule 2 to the Grant Agreement is amended as stated in Attachment 1 of this Amendment Letter.

5. **Annex to Schedule 2 of the Grant Agreement** is deleted in its entirety.

6. **The Appendix (Definitions) to the Grant Agreement** is replaced with the revised definitions in Attachment 2 of this Amendment Letter.

7. Capitalized terms used but not defined in this Amendment Letter have the meanings given to them in the Grant Agreement, in Attachment 2 to this Amendment Letter and the Standard Conditions, as applicable.

8. Except as specifically amended by this Amendment Letter, all other provisions of the Grant Agreement remain in full force and effect.

9. This Amendment Letter shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

(a) The Recipient has caused the Project Implementing Entity to recruit competent personnel with adequate numbers, with qualifications, experience and under terms
of reference acceptable to the World Bank, including a Project director, a financial management specialist and a procurement specialist.

(b) The World Bank has received: (i) a duly countersigned original of this Amendment Letter; and (ii) the amendment letter to the Project Agreement executed on behalf of the World Bank and the Project Implementing Entity.

10. Except as the Recipient and the World Bank shall otherwise agree, this Amendment Letter and the amendment letter to the Project Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to paragraph 9 immediately above ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Amendment Letter and the amendment letter to the Project Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this paragraph until such event (or events) has (or have) ceased to exist.

Sincerely,

International Bank for Reconstruction and Development
International Development Association
Acting as Administrator of the KP / FATA / Balochistan Multi-Donor Trust Fund

[Signature]

Patchamuthu Illangovan
Country Director, Pakistan
South Asia Region

AGREED
Islamic Republic of Pakistan

By: [Signature]

Name: Tanvir Mahmood Pasha
Title: Secretary, EAD
Date: March 30, 2017
Revised Section IV of Schedule 2 to the Grant Agreement

"Section IV. Withdrawal of Grant Proceeds"

A. General

1. 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 Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Original Grant Allocated (expressed in USD)</th>
<th>Amount of the Additional Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services (including for audits), Training, and Operating Costs under Parts 1 and 4 of the Project (pro memoria)</td>
<td>1,519,790</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services (including for audits), and Training under Parts 2 and 3 of the Project (pro memoria)</td>
<td>2,619,800</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services, consultants’ services (including for audits), and Training, and Operating Costs under all Parts of the Project</td>
<td>7,860,410</td>
<td>8,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>12,000,000</td>
<td>8,100,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed (a) $2,000,000 equivalent may be made for payments made prior to this date but on or after October 1, 2011, for Eligible Expenditures under Categories (1) and (2) from the Original Grant; and (b) $640,000 equivalent may be made for payments made prior to this date but on or after May 1, 2016, for Eligible Expenditures under Category 3 from the Additional Grant; or

   (b) under Category (2), unless the Project Implementing Entity has complied with the provisions of Section I.D.1 (a) (i) of the Schedule to the Project Agreement; or

   (c) for payments made under Categories (1) and (2) after the date of this Amendment Letter.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2018.
Revised Appendix to the Grant Agreement

"APPENDIX"

Section I. Definitions

1. “Additional Political Agent (Development)” means an Agency official assisting the administrative head of the respective Agency.

2. “Agency” means an administrative subdivision of the Project Implementing Entity; and “Agencies” means, collectively, more than one (1) such subdivisions.

3. “Agency Implementation Units” means, collectively, the Bajaur Agency Implementation Unit, the Mohmand Agency Implementation Unit, the South Waziristan Agency Implementation Unit, North Waziristan Agency Implementation Unit, Khyber Agency Implementation Unit, Kurram Agency Implementation Unit and Orakzai Agency Implementation Unit referred to in Sections I.A.5 and 6 of the Schedule to the Project Agreement.

4. “Bajaur Agency Implementation Unit” means the Project Implementing Entity’s unit, under the Project Management Unit responsible for community-level Project implementation in said Agency, or any successor thereto.

5. “Bajaur Agency” means the Project Implementing Entity’s administrative subdivision of that name in the north of its territory, or any successor thereto.

6. “Balochistan” means the Recipient’s province of that name in the southwest of its territory, or any successor thereto.


8. “Department of Agriculture” means the Project Implementing Entity’s department, under the FATA Secretariat, responsible for agriculture-related policymaking and activities, or any successor thereto.

9. “Department of Livestock and Dairy Development” means the Project Implementing Entity’s department, under the FATA Secretariat, responsible for livestock-related policymaking and activities, or any successor thereto.

10. “Department of Works and Services” means the Project Implementing Entity’s department, under the FATA Secretariat, responsible for works and services, or any successor thereto.

11. “Directorate of Irrigation” means the Project Implementing Entity’s directorate, under the FATA Secretariat, responsible for irrigation-related policymaking and activities, or any successor thereto.

12. “Directorate of Projects” means the Project Implementing Entity’s directorate, under the FATA Secretariat, responsible for foreign-funded projects, or any successor thereto.
13. “Environmental and Social Assessment” or “ESA” means the Project Implementing Entity’s environmental and social assessment (including the ESMP), dated December 2011, updated on November 25, 2016 and agreed with the World Bank, describing the rules, guidelines and procedures to assess environmental and social impacts of activities to be implemented under the Project, and defining measures to offset them, or reduce them to acceptable levels, in accordance with the provisions of the Environmental and Social Screening and Assessment Framework, 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.

14. “Environmental and Social Management Plan” or “ESMP” means the Project Implementing Entity’s plan, dated December 2011, updated on November 25, 2016 as part of the ESA, agreed with the World Bank, and setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, in accordance with the provisions of the Environmental and Social Screening and Assessment Framework, 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.

15. “Environmental and Social Screening and Assessment Framework” means the World Bank’s framework, dated December 2010, agreed with the Recipient and setting out guidelines relating to mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of projects to be implemented under the KP / FATA / Balochistan Multi-Donor Trust Fund, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time, and such term includes any annexes or schedules to such framework.

16. “FATA” or “Federally Administered Tribal Areas” means the Recipient’s administrative subdivision of that name in the northwest of its territory, or any successor thereto.

17. “FATA Secretariat” means the Project Implementing Entity’s secretariat, established and operating pursuant to the Recipient’s Notification Number F.2(8)-TA/2006 dated November 1, 2007, responsible for the administration of FATA, or any successor thereto.

18. “Frontier Regions” means the six administrative units namely, Bannu, Lakki Marwat, Tank, Dera Ismail Khan, Peshawar and Kohat, named after their adjacent settled districts, where their administration is carried out by the District Coordination Officer/Deputy Commissioner of the neighboring named district.

19. “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.

20. “KP” or “Khyber Pakhtunkhwa” means the Recipient’s province of that name in the northwest of its territory, or any successor thereto.

21. “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.

22. "Khyber Agency" means the Project Implementing Entity's administrative subdivision of that name in the north of its territory, or any successor thereto.

23. "Khyber Agency Implementation Unit" means the Project Implementing Entity's unit, under the Project Management Unit responsible for community-level Project implementation in said Agency, or any successor thereto.

24. "Kurram Agency" means the Project Implementing Entity's administrative subdivision of that name in the south-west of its territory, or any successor thereto.

25. "Kurram Agency Implementation Unit" means the Project Implementing Entity's unit, under the Project Management Unit responsible for community-level Project implementation in said Agency, or any successor thereto.

26. "Line Departments and Directorates" means, collectively, the Departments of Agriculture, Livestock and Dairy Development, and Works and Services and the Directorate of Irrigation.

27. "Mohmand Agency" means the Project Implementing Entity's administrative subdivision of that name in the north of its territory, or any successor thereto.

28. "Mohmand Agency Implementation Unit" means the Project Implementing Entity's unit, under the Project Management Unit responsible for community-level Project implementation in said Agency, or any successor thereto.

29. "North Waziristan Agency" means the Project Implementing Entity's administrative subdivision of that name in the South-West of its territory, or any successor thereto.

30. "North Waziristan Agency Implementation Unit" means the Project Implementing Entity's unit, under the Project Management Unit, responsible for community-level Project implementation in said Agency, or any successor thereto.

31. "Operating Costs" means the incremental operating costs under the Project incurred by the Recipient and the Project Implementing Entity for purposes of Project implementation, management, and monitoring and evaluation, 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, office space rental, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of members of the Recipient's or the Project Implementing Entity's civil service.

32. "Orakzai Agency" means the Project Implementing Entity's administrative subdivision of that name in the south of its territory, or any successor thereto.
33. “Orakzai Agency Implementation Unit” means the Project Implementing Entity’s unit, under the Project Management Unit responsible for community-level Project implementation in said Agency, or any successor thereto.


35. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 3, 2017 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

36. “Project Management Unit” means the Project Implementing Entity’s unit referred to in Sections I.A.3 and 4 of the Schedule to the Project Agreement, under the Directorate of Projects, established and operating pursuant to the Project Implementing Entity’s Administrative Approval Number PD/PMU/FDWP/2010-11/573-82 dated April 5, 2011 and responsible for the day-to-day management and implementation of projects in FATA, or any successor thereto.

37. “Project Operations Manual” means the Project Implementing Entity’s manual, referred to in Section I.D.1 (a) of the Schedule to the Project Agreement 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.

38. “Project Steering Committee” means the Project Implementing Entity’s committee referred to in Sections I.A.1 and 2 of the Schedule to the Project Agreement, to be established for purposes of Project policy and strategic orientation, or any successor thereto.

39. “Safeguards Instruments” means, collectively, the Environmental and Social Screening and Assessment Framework, the Environmental and Social Assessment and the Environmental and Social Management Plan.

40. “South Waziristan Agency” means the Project Implementing Entity’s administrative subdivision of that name in the southwest of its territory, or any successor thereto.

41. “South Waziristan Agency Implementation Unit” means the Project Implementing Entity’s unit, under the Project Management Unit, responsible for community-level Project implementation in said Agency, or any successor thereto.

42. “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 course preparation and implementation.”