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

(Governance and Policy Project for Khyber Pakhtunkhwa)

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 May 23, 2017
KP / FATA / BALOCHISTAN MDTF
GRANT NUMBER TF0A3361

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

AGREEMENT dated May 23, 2017, entered into between: ISLAMIC REPUBLIC OF PAKISTAN ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION (collectively, "World Bank"), acting as administrator of KP/FATA/BALOCHISTAN MULTI-DONOR TRUST FUND.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


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, including the Appendix hereto.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause the Province of Khyber Pakhtunkhwa ("Project Implementing Entity") to carry out the Project 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 not to exceed ten million United States Dollars ($10,000,000) ("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
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been satisfied: (a) the Project Implementing Entity has appointed a coordinator, a financial management specialist, and a procurement management specialist for its Operations Support Unit, all with qualifications and experience and under terms of reference satisfactory to the World Bank; (b) the Project Implementing Entity has appointed a governance specialist to the Governance Reform Support Unit, with qualifications and experience and under terms of reference satisfactory to the World Bank; (c) the Project Implementing Entity has prepared and adopted a Project Operations Manual, satisfactory to the World Bank; and (d) the Project Agreement has been executed on behalf of the World Bank and the Project Implementing Entity.

4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement and 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 Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred that would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. Termination for Failure to Become Effective. This Agreement, the Project Agreement, and all obligations of the parties under it shall terminate if it has not
entered into effect by the date 120 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article V**

**Recipient's Representative; Addresses**

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Secretary, Additional Secretary, Joint Secretary, or Deputy Secretary to the Economic Affairs Division.

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

The Secretary to the Government of Pakistan
Economic Affairs Division
Islamabad,
Islamic Republic of Pakistan

Facsimile: 92-51-9202417

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

Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By

[Signature]

Authorized Representative

Name: TARIQ MAHMOOD PASIYA

Title: SECRETARY

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: Illangovan Patchimuthu

Title: Country Director
SCHEDULE 1
Project Description

The objective of the Project is to strengthen the capacity for sales tax on services, and improve public investment management and accountability of public service delivery in the water sector in Khyber Pakhtunkhwa.

The Project consists of the following components:

Component 1 – Increasing capacity for revenue mobilization and public financial management.

Subcomponent 1.1 – Increasing capacity for sales tax on services ("STS") collection.

(a) An assessment of the Project Implementing Entity’s revenue potential followed by technical assistance for developing a revenue mobilization plan.

(b) Technical assistance for establishing a tax policy unit in the Finance Department ("FD").

(c) Technical assistance and training for STS administration, including (i) taxpayer registration and tracking of tax returns; (ii) revenue forecasting; (iii) human resource management in the Khyber Pakhtunkhwa Revenue Authority ("KPRA"); (iv) tax assessment techniques using business intelligence; (v) taxpayer facilitation; (vi) risk-based audit; and (vii) taxpayer awareness campaigns.

(d) Increasing the number of STS-registered taxpayers filing tax returns (results-based financing subcomponent)

Subcomponent 1.2 – Strengthening public financial management.

Supporting public financial management activities, including:

(e) Developing a public financial management reform strategy;

(f) Undertaking an internal audit;

(g) Capacity development for budget execution in the public accounts committee of the Provincial Assembly; and

(h) Support for facilitating fiscal transfers to local governments.
Component 2 – Improving public investment management and accountability in public services.

Subcomponent 2.1 – Strengthening public investment management.

(i) An assessment of current government capacity for a well-functioning public investment system and development of a public investment management ("PIM") action plan to address the main issues identified by the assessment, with a focus on the water sector (hydropower, water and sanitation).

(j) Technical assistance and training for implementing the PIM action plan, including (i) processes and tools for preparing and appraising projects; (ii) periodic self-assessments of PIM systems to increase the productivity of investments in the water sector; (iii) project implementation, including procurement, contract management, monitoring of progress, and verification as "fit for purpose"; and (iv) asset management, including monitoring the condition of infrastructure assets and adequate operations and maintenance.

(k) Technical assistance for developing an integrated water resources management strategic plan for the productive utilization of public assets.

(l) Increasing the geomapping and online publication of Public Investment Assets in the water sector (hydropower, water and sanitation) (results-based financing subcomponent)

(m) Skills development for government officials, especially those from departments and other public sector entities that participate in project activities.

Subcomponent 2.2 – Improving accountability in public services. Supporting technical assistance and training in the following areas, with a focus on the water supply and sanitation sector:

(n) In partnership with research institutes, building Government capacity for using M&E to improve the management of public services, including by engaging citizens in monitoring service delivery, with a focus on the WSS sector.

(o) Increasing the effectiveness of grievance redress mechanisms, including those provided by (i) the Right to Public Services Commission and the Khyber Pakhtunkhwa Ombudsman; and by (ii) civil society organizations engaged in raising awareness and helping citizens, especially women, to access grievance redress mechanisms.
Component 3: Providing effective support for the coordination of governance reforms and operational management.

(a) Support to the Governance Reform Support Unit ("GRSU") to be housed in the Planning and Development Department ("P&DD").

(b) Support to the Operations Support Unit ("OSU") that will report to the Director General of the Post-Crisis Needs Assessment Development Unit of the P&DD.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall, or shall cause the Project Implementing Entity to, integrate the Project in the National FMIS, no later than six (6) months after the Effective Date.

B. On-Grant Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity in accordance with the provisions of this Agreement and the Recipient’s on-grant policies and budgetary procedures, and under the same terms and conditions as shall have been received from the World Bank.

2. Notwithstanding paragraph one (1) above, in the event that any of the provisions of this Agreement, including the instructions that the World Bank shall have specified by notice to the Recipient pursuant to Section IV.A.I. of this Schedule, were inconsistent with the budgetary procedures of the Recipient, the provisions of this Agreement and related instructions shall govern.

3. The Recipient shall exercise its rights under the on-grant arrangements in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant.

C. 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”).

D. Donor Visibility and Visit

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.
Section II.  Project Monitoring, Reporting and Evaluation

A.  Documents; Records

In addition, and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient’s financial and narrative progress reports submitted to the World Bank; (iii) the Recipient’s financial information related to the Grant, including audit reports, invoices, and payroll records; (iv) the Recipient’s implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor(s).

B.  Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06(b)(i) of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days 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(b)(ii) of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

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, in form and substance satisfactory to the World Bank, 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.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient. 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. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, 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:


(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 and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding (*subject to the additional procedures set forth in the Attachment to this Schedule 2*); (b) Shopping; (c) procurement under Framework Agreements that have been found acceptable to the World Bank; (d) Direct Contracting; (e) Procurement under Public Private Partnership Arrangements in accordance with procedures that 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 that are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least-Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the World Bank of Procurement Decisions**

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

E. **Document Retention**

1. Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix 1 to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix 1 to the Consultant Guidelines, the Recipient (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven years and six months after the Closing Date set forth in Section IV.B.2 of this Schedule; (ii) shall furnish such documentation to the World Bank at any time upon request; and (iii) hereby authorizes the World Bank to disclose such documentation to the Donor(s).
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>Categories</th>
<th>Amount of Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Eligible Expenditures Program (“EEP”) under Subcomponents 1.1(d) and 2.1 (d) of the Project</td>
<td>2,000,000</td>
<td>100% of amounts spent and reported under the EEP for each Withdrawal</td>
</tr>
<tr>
<td>(2) Goods, Non-Consulting Services, Consultants’ Services, Incremental Operating Costs, Training, and Workshops for Subcomponents 1.1(a), 1.1(b), 1.1(c) and 1.2 of the Project</td>
<td>2,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Non-Consulting Services, Consultants’ Services, Incremental Operating Costs, Training, and Workshops for Subcomponent 2.1(a), 2.1(b), 2.1(c), 2.1(e) and 2.2 of the Project</td>
<td>2,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, Non-Consulting Services, Consultants’ Services, Incremental Operating Costs, Training, and Workshops for Component 3 of the Project</td>
<td>2,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10,000,000</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 for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US$2,000,000 equivalent may be made for payments made prior to this date but on or after January 1, 2016, for Eligible Expenditures under Categories (2), (3), and (4).

2. The Recipient shall only submit an application for withdrawal under Category (1) and withdrawal shall only be made for each such application if the Recipient has:

(a) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the World Bank of the applicable interim financial report detailing the expenditures incurred under the EEP up to the date of the applicable withdrawal application; and

(b) furnished evidence, in accordance with the verification protocol set out in the Project Operations Manual, of the Project Implementing Entity’s satisfactory achievement of each DLR for the respective Fiscal Year and for which payment is requested as set forth in Schedule 3 to this Agreement.

3. Notwithstanding the foregoing, if the World Bank shall determine, based on the evidence furnished by the Recipient under paragraph 2 of this Part B, that any DLI has not been achieved by its DLI Achievement Date, the World Bank may in its sole discretion, by notice to the Recipient, (a) withhold in whole or in part the amount of the Grant allocated to such DLI; (b) disburse in whole or in part the amount of the Grant allocated to such DLI at any later time if and when such DLI is completed in a manner satisfactory to the World Bank, to the extent that such completion remains feasible at a later time; (c) reallocate in whole or in part any withheld amount of the Grant allocated to such DLI; and/or (d) cancel in whole or in part any withheld amount of the Grant allocated to such DLI.

4. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2020.
ATTACHMENT
TO
SCHEDULE 2
Improvement of Bidding Procedures under National Competitive Bidding

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 undertaken with the additional provisions set forth 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 additional provisions set forth below, the latter shall govern.

a. Invitation to bid shall be advertised in at least one national newspaper with wide circulation at least 30 days before the deadline for the submission of bids.

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

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

d. Bidding shall not be restricted to pre-registered firms.

e. Qualification criteria shall be stated in the bidding documents.

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

g. Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association.

h. Before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained.

i. Bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates.

j. Contracts shall not be awarded on the basis of nationally negotiated rates.

k. A single bid shall also be considered for award.

l. Contracts shall be awarded to the lowest evaluated and qualified bidder.

m. Post-bidding negotiations shall not be allowed with the lowest evaluated or any bidder.

n. Draft contracts shall be reviewed by the Association in accordance with the prior review procedures.
o. Any firm declared ineligible by the Association on the basis of a determination that the firm has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or in executing Association-financed contract or a contract financed by another institution with which the Association has entered into a cross-debarment agreement, shall be ineligible to be awarded Association-financed contract during the period of time determined by the Association.

p. Each contract financed from the proceeds of the financing shall provide that the suppliers, contractors, and subcontractors shall permit the Association, 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 Association. The deliberate and material violation by the supplier, contractor, or subcontractor of such provision may amount to obstructive practice.

q. Recipient-owned enterprises are 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.

r. The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association 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 Association.
### SCHEDULE 3: Disbursement-linked Indicators

<table>
<thead>
<tr>
<th>Results Areas:</th>
<th>DLIs with DLI Achievement Dates and DLI Values</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Fiscal Year 2016/17</strong></td>
<td><strong>Fiscal Year 2017/18</strong></td>
<td><strong>Fiscal Year 2018/19</strong></td>
</tr>
<tr>
<td><strong>I. Increase in # of STS taxpayers that filed tax returns</strong></td>
<td>The Project Implementing Entity has increased the number of STS taxpayers filing tax returns in the Fiscal Year by a cumulative percentage of 5% above Baseline.</td>
<td>The Project Implementing Entity has increased the number of STS taxpayers filing tax returns in the Fiscal Year by a cumulative percentage of 15% above Baseline.</td>
<td>The Project Implementing Entity has increased the number of STS taxpayers filing tax returns in the Fiscal Year by a cumulative percentage of 25% above Baseline.</td>
</tr>
<tr>
<td>DLI Value: $250,000 (not scalable)</td>
<td>DLI Value: $250,000 (not scalable)</td>
<td>DLI Value: $250,000 (not scalable)</td>
<td>DLI Value: $250,000 (not scalable)</td>
</tr>
<tr>
<td><strong>II. Increase in Public Investment Assets that are geomapped and published online</strong></td>
<td>The Project Implementing Entity has cumulatively geomapped and published online 20 Public Investment Assets</td>
<td>The Project Implementing Entity has cumulatively geomapped and published online 100 Public Investment Assets</td>
<td>The Project Implementing Entity has cumulatively geomapped and published online 250 Public Investment Assets</td>
</tr>
<tr>
<td>DLI Value: $250,000 (not scalable)</td>
<td>DLI Value: $250,000 (not scalable)</td>
<td>DLI Value: $250,000 (not scalable)</td>
<td>DLI Value: $250,000 (not scalable)</td>
</tr>
</tbody>
</table>
APPENDIX
Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “Disbursement-linked Indicator” or the acronym “DLI” means any of the indicators set out in the table at Schedule 3 of this Agreement; and “DLIs” means, collectively, all such DLIs.

4. “Disbursement-linked Result” or the acronym “DLR” means any of the results set out in the table at Schedule 3 of this Agreement; and “DLRs” means, collectively, all such DLRs.

5. “DLI Achievement Date” means, with regard to each DLI, the date by which the DLI is expected to be achieved, as set forth in the table in Schedule 3 to this Agreement.

6. “DLI Value” means the total amount of the Grant allocated to each DLI in the table in Schedule 3 to this Agreement, as such amount may be reallocated in whole or part by notice by the World Bank from time to time.

7. “Donors” means collectively all donors that have contributed funds to the KP/FATA/Balochistan Multi-Donor Trust Fund at any time during the lifespan of this trust fund, as communicated to the Recipient and the Project Implementing Entity by the World Bank.

8. “Eligible Expenditures Program” and the abbreviation “EEP” mean the reasonable costs of salaries of civil servants and employees of the FD, P&DD, and KPRA identified under the object code and description: “A01: Employee Related Expenses” in the Recipient’s National FMIS.

9. “Finance Department” or the abbreviation “FD” means the Finance Department of the Project Implementing Entity.

10. “Financial Management Manual” or the abbreviation “FMM” means the Project Implementing Entity’s manual, developed for the Governance Support Project, but to be updated and adopted, pursuant to Section II B1 of the Schedule to the Project Agreement, in a manner satisfactory to the World Bank.

11. “Fiscal Year” or its abbreviation “FY” means a fiscal year of the Project Implementing Entity.

13. “Governance Reform Support Unit” or “GRSU” means the unit to be established within the Project Implementing Entity, and thereafter maintained in accordance with Section I.A.1(b) of the Schedule to the Project Agreement for purposes of coordinating and monitoring governance reforms, and providing cross-cutting support for overall Project activities, including financial management, procurement, internal audit, monitoring and evaluation, communications, and training.

14. “Incremental Operating Costs” means the reasonable costs incurred under the Project for the fees of specialized technical staff, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance expenditures of office equipment and vehicles, bank charges, insurance, advertising, media projections, newspaper subscriptions, periodicals, printing, and stationary costs incurred for the purposes of Project activities; as well as (i) performance-based incentives, which include performance honoraria provided to civil servants as a reasonable incentive for implementation of the GPP activities, based on targets set to achieve the project development objective indicators and/or the project intermediate results indicators, as they are approved by the PSC and satisfactory to the World Bank; (ii) deputation allowances, which include the allowance to be paid to the government officials posted/appointed on deputation to the Project; such officials will be entitled to draw deputation allowance, in addition to their own pay/allowances, at a rate fixed by the publicly announced government policy; and (iii) additional charge allowances, which include the allowance to be paid to government officials granted additional Project-related duties in addition to their own duties; such officials will be entitled to draw additional charge allowance, in addition to their own pay/allowances, at the rate fixed by the publicly announced government policy. Incremental Operating Costs are expenditures that would not have been incurred in the absence of the Project, and they exclude the salaries of civil servants.

15. “Khyber Pakhtunkhwa” and the abbreviation “KP” mean the Recipient’s Province of Khyber Pakhtunkhwa and the Project Implementing Entity.


17. “Khyber Pakhtunkhwa Revenue Authority” and the abbreviation “KPRA” means authority established in the territory of the Project Implementing Entity under the Khyber Pakhtunkhwa Finance Act 2013.
18. "Line Department(s)" means the government departments and public sector entities of the Project Implementing Entity.

19. "Multi-Donor Trust Fund" and the abbreviation "MDTF" mean the multi-donor trust fund, approved by the Board of Executive Directors of the World Bank on January 15, 2010, administered by the World Bank, whose objective is to support the implementation of a program of reconstruction and development aimed at facilitating the recovery of affected regions in Khyber Pakhtunkhwa, the Federally Administered Tribal Areas, and Balochistan from the impact of the armed conflict, and reducing the potential for escalation or resumption, or any successor thereto.


21. "Operations Support Unit" or "OSU" means the unit established for the purposes set forth in Section I.A(b) of the Schedule to the Project Agreement.

22. "PCNA Program" means the work program adopted by the MDTF Steering Committee in September 2015, while extending the MDTF for another five years (2015-2020).

23. "Peshawar High Court" means the Project Implementing Entity's supreme judicial institution, located in Peshawar.

24. "PIM" means public investment management.

25. "Planning and Development Department or "P&DD" means the Project Implementing Entity's Planning and Development Department.

26. "Post-Crisis Needs Assessment" or the abbreviation "PCNA" means the assessment formally issued on October 2010 by the Asian Development Bank, European Commission, United Nations, and the World Bank, which identifies the short- and medium-term social and economic needs of Khyber Pakhtunkhwa and the Federally Administered Tribal Areas.

27. "Procurement Plan" means the Recipient's procurement plan for the Project, dated August 24, 2016, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as it shall be updated from time to time in accordance with the provisions of said paragraphs.


29. "Project Operations Manual" means the Project Implementing Entity's manual to be prepared in a manner satisfactory to the World Bank pursuant to Section 4.01
(c) of this Agreement, setting forth the institutional arrangements for implementation of the Project, including (a) simplified procurement reporting arrangements, record-keeping protocols, and complaints redress mechanisms consistent with the Consultants' Guidelines and Procurement Guidelines; (b) financial management procedures and protocols for the carrying out of internal audits, the preparation of financial statements, and withdrawal and accounting of Grant funds and settlement of payments, including DLIs/DLRs verification protocols; and (c) performance monitoring indicators for the Project.

30. "Project Steering Committee" or "PSC" means the entity responsible for providing oversight of the Project activities, referred to in Section I.A.1(a) of the Schedule to the Project Agreement.


33. "Right to Public Services Commission" means the Project Implementing Entity’s Right to Public Services Commission, established pursuant to the Project Implementing Entity’s Right to Public Services Act 2014.


35. "Sales Tax on Services" and the acronym "STS" means the sales tax levied by Khyber Pakhtunkhwa on services.

36. "Third-Party Monitoring Agent" or the abbreviation "TPMA" means the entity appointed pursuant to Section 1F of the Schedule to the Project Agreement, responsible for, among other things, monitoring and reporting on the achievement of the DLIs.

37. "Training and Workshops" means the reasonable costs of trainings, workshops, and conferences conducted in and outside of the territory of the Recipient, including the purchase and publication of material, rental of facilities for conducting training and workshops, facilitators fees, course fees, and travel and subsistence allowances for trainers and/or trainees.

38. "Withdrawal" means each Withdrawal under Category (1) of the table in Section IV of Schedule 2 to this Agreement.