June 22, 2012.

Dr. Waqar Masood Khan
Secretary
Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamic Republic of Pakistan
Islamabad

Re: Pakistan: IDF Grant Agreement for Strengthening the Forum of Pakistan Ombudsman (FPO) - Grant No: TF012310

Dear Dr. Khan:

In response to the request for financial assistance made on behalf of the Islamic Republic of Pakistan ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient, a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed four hundred and forty five thousand United States Dollars (US$ 445,000.00) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement with the foregoing, by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned original, this Agreement shall become effective upon the Recipient’s countersignature and the Subsidiary Grant Agreement being executed on behalf of the Recipient and the Project Implementing Entity, as defined in paragraph 2.03 of the Annex to this Agreement, provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned original of this Agreement within ninety (90) days after the signature of this Agreement by the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]

Rachid Benmessaud
Country Director, Pakistan
South Asia Region
CONFIRMED and AGREED
ISLAMIC REPUBLIC OF PAKISTAN

By: _____________________________

Name: ____________________________

Title: _____________________________

Date: _____________________________

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions


1.02. **Definitions.** 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
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to strengthen the Ombudsman institutions in Pakistan for better handling of complaints, increasing the number of citizens benefiting, faster processing, and greater citizen satisfaction. The Project consists of the following parts:

Part I: **Strengthening of FPO Secretariat:** (i) Enhancing the capacity of the Secretariat by providing technical assistance to make it operational and bringing in international expertise to conduct workshops and use best practices of other countries as examples to train members of the Secretariat; and (ii) conducting quarterly meetings of the forum to facilitate collective decision making, assessing the progress made, and determine if any corrective actions are needed.

Part II: **Implementing Performance Improvement Intervention in Five Offices:** (i) conducting a review of all the five offices to assess the potential for performance improvement; (ii) preparing an assessment of performance and successful performance improvement interventions; including (a) assessment of each member office; (b) recommended five offices for support and identification of urgently needed support/creation of an action plan; and (c) implement performance improvement program in the five selected offices that could include improvement in procedures, business process, and capacity building.

Part III: **Establishing Independent Service Monitoring:** (i) preparation of a report recommending an independent service monitoring mechanism for each office, based on discussions with each office and their specific mandate; and (ii) implementing independent monitoring mechanism in two offices as a pilot.

Part IV: **Launching a Magazine:** Launching a monthly professional magazine “Ombudsman” as part of an outreach and communication strategy, which would create awareness amongst citizens regarding the services of the Ombudsman offices as well as any information relating to new legislation concerning citizens’ rights.

Part V: **Preparing a Capacity Building Program and Initiating Implementation:** (i) conducting an independent study to prepare a capacity building program to enhance service delivery of Ombudsman offices; and (ii) initiating implementation of the program including: training by international specialists, conferences, seminars and a managed knowledge exchange with one Ombudsman institution of internationally recognized good performance.
2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through Federal Tax Ombudsman (FTO) (Project Implementing Entity) in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 5, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.**

(a) The Recipient shall cause the FTO to maintain throughout the period of Project implementation an Advisory Committee for the project headed by FTO and comprising of chartered accountants, tax practitioners, retired tax administrators, leading business men, barristers, and academics to provide an oversight for day-to-day implementation activities, including financial management and implementation of the action plan, and coordination with member Ombudsman offices.

(b) The Recipient shall make the proceeds of the Grant available to FTO in accordance with a Subsidiary Grant Agreement to be entered into between the Recipient and the Project Implementing Entity in accordance with terms and conditions satisfactory to the World Bank.

(c) The Project Implementing Entity shall undertake to: (i) maintain a financial management system and records and accounts adequate to reflect sound accounting practices, its operations and financial condition; (ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Project until at least the later of: (a) one (1) year after the Recipient and the World Bank have received the audited financial statements covering the period during which the last withdrawal from the Grant Account was made; and (b) two (2) years after the Closing Date; (iii) enable the Recipient and the World Bank’s representatives to examine such records; and (iv) monitor and evaluate the progress of the Project in accordance with the provisions of the Standard Conditions.

(d) The Recipient shall have the right to suspend or terminate the right of the Project Implementing Entity to the use of the proceeds of the Grant made available under the Subsidiary Grant Agreement upon failure by the Project Implementing Entity to perform its obligations under such agreement.

(e) The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Project. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any of its provisions.

2.04. **Project Monitoring, Reporting and Evaluation.**

(a) The Recipient shall cause the FTO to monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.
(b) The Recipient shall cause the FTO, upon the World Bank’s request, to prepare a 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 five months after the Closing Date.

2.05. Financial Management.

(a) The Recipient shall cause the FTO to ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall cause the FTO to ensure that interim financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall cause the FTO to have its Financial Statements 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 months after the end of such period.

2.06. Procurement

(a) General. 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:

(i) Section I 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 and non-consulting services;

(ii) 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

(iii) the provisions of this Section, 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”).

(b) Definitions. The capitalized terms used in the following paragraphs of 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.

(c) Particular Methods of Procurement of Goods. Goods shall be procured under contracts awarded on the basis of Shopping.

(d) Particular Methods of Procurement of Consultants’ Services
(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants’ Qualifications; (B) Single-source Selection of consulting firms; (C) Selection of individual Consultants; and (D) Single-source procedures for the Selection of Individual Consultants.

(e) 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.

### Article III
**Withdrawal of Grant Proceeds**

3.01. *Eligible Expenditures.* 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 following table. The 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultant Services</td>
<td>332,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training and Workshops</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods</td>
<td>13,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>445,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the terms “Training and Workshop” means the costs associated with training and workshops, participation of personnel involved in the implementation of the Project including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilit es, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

### Article IV

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Secretary, Economic Affairs Division, Government of Pakistan, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of that Division.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

The Secretary  
Economic Affairs Division  
Ministry of Economic Affairs and Statistics  
Islamic Republic of Pakistan  
Islamabad  
Facsimile: 92-51-920-2417

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America  
Cable: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391