

CONFORMED COPY

CREDIT NUMBER 2829 PAK

Project Agreement

(NWFP Community Infrastructure and NHA Strengthening Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NORTH WEST FRONTIER PROVINCE

Dated April 18, 1996

CREDIT NUMBER 2829 PAK

PROJECT AGREEMENT

AGREEMENT, dated April 18, 1996, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and NORTH WEST FRONTIER PROVINCE, acting by its Governor (NWFP).

WHEREAS (A) by the Development Credit Agreement of even date herewith between 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 thirteen million seven hundred thousand Special Drawing Rights (SDR 13,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that NWFP agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) part of the proceeds of the credit provided for, and the Swiss Contribution referred to, in the Development Credit Agreement will be made available to NWFP; and

WHEREAS NWFP, in consideration of the Association's entering into the Development Credit 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 Development Credit 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 the Project

Section 2.01. (a) NWFP declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out its activities under 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 its activities under 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 its activities under the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit and the Swiss Contribution shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. 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 its activities under the Project Agreement.

Section 2.04. (a) NWFP shall, at the request of the Association, exchange views with the Association with regard to the progress of its activities under the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) NWFP shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by NWFP of its obligations under this Agreement.

Section 2.05. 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 its activities under 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 March 31, 1998, 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 its activities under the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of its activities under the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30, 1998, 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 its activities under 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.

Section 2.06. Without limitation upon the provisions of Article IX of the General Conditions, NWFP shall:

(a) 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 or such later date as may be agreed for this purpose between the Association and NWFP, a plan for the future operation of the Project;

(b) afford the Association a reasonable opportunity to exchange views with NWFP on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

ARTICLE III

Financial Covenants

Section 3.01. (a) NWFP shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition in respect of its activities under the Project.

(b) NWFP shall:

- (i) have such records and accounts including those for the NWFP and Swiss Contribution Special Accounts, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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 Development Credit 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 Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this

Agreement.

(b) If the Development Credit 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, telegram, cable, telex or radiogram 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. 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
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

For the North West Frontier Province:

The Additional Chief Secretary
Planning, Environment and Development Department
Government of North West Frontier Province
Peshawar, Pakistan

Cable address:

DEVELOPMENT
Peshawar, Pakistan

Telex:

952-52371

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, or by NWFP on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Additional Chief Secretary, Planning, Environment and Development Department, or such other person or persons as he or she shall designate in writing, and NWFP 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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mieko Nishimizu

Acting Regional Vice President
South Asia

NORTH WEST FRONTIER PROVINCE

By /s/ Mansoor Elahi

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Type A (trunk infrastructure) works and Type B (secondary or tertiary infrastructure) works may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. To the extent practicable, each Type A works shall be grouped at the divisional level in bid packages estimated to cost \$150,000 equivalent or more each, and each Type B works shall be grouped at the community level in bid packages estimated to cost \$50,000 equivalent or more each. In the event that such works do not attract competition, they shall be procured in accordance with procedures acceptable to the Association.

(b) Goods estimated to cost \$100,000 equivalent or less per contract and \$400,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost \$50,000 equivalent or less per contract and \$200,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Community Participation

Type C (simple and small-scale) works required for Part A.1 of the Project estimated to cost \$20,000 equivalent or less per contract and \$5,000,000 equivalent or less in the aggregate, shall be procured in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to the first of each of the Type A and Type B works contracts (as defined in paragraph 1 (a) of Part C of this Section), and in any case each contract for goods or works estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part D, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for

the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 2

Implementation Program

A. Governmental Institutional Arrangements

1. Project Management Unit. The PMU shall, for purposes of undertaking the Project and not later than the Effective Date, be strengthened through:

(a) the creation therein of a Planning and Community Development Directorate, headed by a Director, and responsible for community involvement in identifying infrastructure and community development needs, assisting communities in preparing Community Action Plans and implementing other community development activities;

(b) the creation therein of a Design and Implementation Directorate, headed by a Director, and responsible for preparation of engineering designs, cost estimates and procurement documentation, apart from being involved, through the PIUs, in procuring works, contract management and administration, supervision of construction and helping communities plan and prepare for O&M;

(c) the appointment thereto of a Deputy Director, Monitoring and Evaluation, responsible for preparing routine monitoring reports, including monitoring key performance indicators, arranging training in monitoring and evaluation for all parties involved, and, in coordination with the other Directorates, for initiating monitoring, evaluation and impact assessment by communities; and

(d) the creation therein of a Finance Wing, headed by a Deputy Director, and responsible for project accounting and internal auditing, and for establishing procedures for paying contractors, managing community project accounts and budgeting.

2. Project Implementation Units. Each PIU shall be strengthened through the appointment therein of an Assistant Director, heading a suitable technical, financial and social organizer staff, and with necessary powers and responsibility for direct implementation of project activities with the communities, and for facilitating the preparation of monitoring and evaluation data.

3. Project Steering and Working Committees. (a) There shall be established, not later than September 30, 1996, a Project Steering Committee, chaired by the Secretary, LGERDD, and including as members the Secretary, Public Health Engineering Department, the Secretary, Physical Planning and Housing Department, the Additional Secretary, Finance, the Additional Secretary, LGERDD, and the Additional Secretary, Planning, Environment and Development Department, all of NWFP, and, as Secretary, the Director General, PMU. The PSC shall be responsible, within the agreed policy framework for the Project, for preparation of operational directions, review of the program in each community, inter-agency coordination and monitoring of overall progress.

(b) There shall be established within PSC, not later than September 30, 1996, a Working Committee, responsible for routine coordination and monitoring, including specifically coordination within the PMU, especially of community mobilization, engineering and community development activities, liaison with line departments and local councils, monitoring implementation performance and identifying measures to remove obstacles to implementation. The Working Committee shall be chaired by the Additional Secretary, LGERDD, and shall include as members from the PMU, the Director, Planning and Community Development, the Director, Design and Implementation, and the Deputy Director, Monitoring and Evaluation, and, as Secretary, the Deputy Director, Finance.

4. Project Review Board. There shall be established, not later than September 30, 1996, a Project Review Board, chaired by the Additional Chief Secretary, Planning, Environment and Development Department, responsible for top-level project oversight and coordination and periodic review of the policy framework of the Project.

B. Community Participation

5. Selection of Schemes. Infrastructure and community development schemes to be included in the Project shall be selected on the basis of criteria, and designed, financed, implemented and maintained through processes, satisfactory to the Association. To that end, such criteria and processes shall be developed and applied in accordance with and subject to a policy framework, which shall provide, inter alia, that, for purposes of said schemes, those communities shall be given priority which:

(a) are geographically spread across NWFP and ensure a proper urban/rural balance;

(b) are low-income, lack basic infrastructure or are located in identified slum areas, and are based upon a settlement size exceeding three thousand persons;

(c) demonstrate commitment through their capacity for social organization and financial contribution and, to this end, are prepared to, and do: (i) organize themselves into CBOs or user committees, which are officially registered, broadly based and include representation of women, for purposes of participating in, and assuming joint responsibility for, design, preparation and implementation, and full responsibility for O&M; and (ii) contribute any land required and at least 20% of the capital cost of infrastructure (other than trunk infrastructure) and 100% of O&M costs;

(d) are supported by their local councils through a contribution of at least 10% of the capital cost of infrastructure (other than trunk infrastructure); and

(e) are willing to prepare and carry out the schemes in accordance with planning, design and construction standards suited to and affordable by the communities concerned, and are able to demonstrate that the local infrastructure to be developed under the schemes shall be supported by primary infrastructure as necessary to ensure efficient and effective operation.

6. Institutional Arrangements. The PMU shall, for purposes of each community infrastructure and development scheme to be included in the Project, enter into an agreement with the concerned CBO and local council for financing, implementing and maintaining such scheme, on terms and conditions satisfactory to the Association.

C. Other Matters

7. Resettlement. If there are any persons displaced or to be displaced as a result of the acquisition of any land required for the purposes of the Project or any scheme included in the Project, such persons shall be compensated and/or resettled in accordance with arrangements satisfactory to the Association, providing, among other things, for: (a) full consultation with the affected persons; (b) provision of equivalent or better accommodation at equal or lower cost and maintenance of the standard of living; and (c) assistance in moving.

8. Implementation Plan. The Project shall be carried out in accordance with an Implementation Plan satisfactory to the Association. Such plan shall be reviewed and updated by January 31 in each year, beginning January 31, 1997, in a manner satisfactory to the Association.

