

CONFORMED COPY

CREDIT NUMBER 2687 PAK

Project Agreement  
(North West Frontier Province Primary Education Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NORTH WEST FRONTIER PROVINCE

Dated April 7, 1995

CREDIT NUMBER 2687 PAK

PROJECT AGREEMENT

AGREEMENT, dated April 7, 1995, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the NORTH WEST FRONTIER PROVINCE acting by its Governor (the Province).

WHEREAS (A) the Association has received a letter dated December 13, 1994 from the Province, endorsed by the Borrower, described a program of actions, objectives and policies designed to improve the quality and efficiency of the primary education sector (hereinafter called the Program), and declaring the Province's commitment to carrying out such Program;

(B) 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 one hundred four million Special Drawing Rights (SDR 104,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Province agree to undertake such obligations toward the Association as are set forth in this Agreement;

(C) the proceeds of the Credit provided for under the Development Credit Agreement will be made available to the Province; and

WHEREAS the Province, 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) The Province 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 the Project through DOE with due diligence and efficiency and in conformity with appropriate educational, administrative, financial and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the Province shall otherwise agree, the Province shall carry out 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 shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) The Province 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 the Project Agreement.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Province shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and the Province, a plan for the future operation of the Project;
- (ii) afford the Association a reasonable opportunity to exchange views with the Province on said plan; and
- (iii) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

Section 2.04. (a) The Province shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project and the Program, the

performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

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

### ARTICLE III

#### Financial and Other Covenants

Section 3.01. (a) The Province shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures with respect to the Project.

(b) The Province shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including the records and accounts for the 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 nine months after the end of each such year, 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 and accounts as well as 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 the Province 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 twenty 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 the Province 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 Province:

Planning 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 the Province, may be taken or executed by the Additional Chief Secretary (Development) or such other person or persons as he shall designate in writing, and the Province 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/ D. Joseph Wood

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: International Competitive Bidding

Except as provided in Part C hereof, equipment shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Association's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of equipment in accordance with this Part A, the Province shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Province shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

Part B: Preference for Domestic Manufacturers

In the procurement of equipment in accordance with the procedures described in Part A hereof, equipment manufactured in Pakistan may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Except as provided in paragraph 2 hereof, (i) civil works, (ii) furniture, (iii) equipment estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,700,000, and (iv) educational and training materials, shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Contracts for (i) equipment estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate

amount not to exceed the equivalent of \$600,000, (ii) furniture estimated to cost less than the equivalent of \$10,000 per contract up to an aggregate amount not to exceed the equivalent of \$100,000, and (iii) educational and training materials estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, may be procured on the basis of comparison of price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to: (i) each contract under Part A hereof; (ii) each contract for civil works estimated to cost the equivalent of more than \$200,000; and (iii) the first civil works contract for school construction in each administrative division of the Province in each Fiscal Year irrespective of value, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of such Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

1. In order to assist the Province in the carrying out of the Project, the Province shall employ, under time schedules satisfactory to the Association, consultants and construction managers whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants and construction managers shall be selected in accordance with principles and procedures satisfactory to the Association on the basis 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, the Province shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Province shall use other standard forms agreed with the Association.

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 individuals 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

1. The Province shall:

(a) except as the Association may otherwise agree, follow the established procedures, satisfactory to the Association, to ensure that, irrespective of the source of funding, decisions on location, planning, design and number of schools and classrooms to be constructed and rehabilitated in the primary education sector of the Province shall be based on needs, demonstrated demand and justification as evidenced by the annual school census, the most recent population census, human resource surveys and school maps of the Province;

(b) carry out school and classroom construction and rehabilitation activities under Part A of the Project during the first year of Project implementation in those sites which have been selected by the Province in accordance with procedures referred to in paragraph 1 (a) hereof satisfactory to the Association; and

(c) not later than February 15 of each Fiscal Year during the implementation of the Project beginning with February 15, 1996, provide to the Association a list of school and classroom construction and rehabilitation sites for the following Fiscal Year, satisfactory to the Association, selected by the Province in accordance with procedures referred to in paragraph 1 (a) hereof, for carrying out rehabilitation and construction of schools and classrooms under Part A of the Project.

2. (a) Without limitation upon the provisions of Section 2.01 of this Agreement, the Province shall provide, or cause to be provided, promptly as needed, the funds, facilities, educational materials, staff, services and other resources required for the annual work plans referred to in paragraph 2 (b) hereof.

(b) To that end, the Province shall:

(i) during the first year of Project implementation, carry out activities and policy reforms in the primary education sector within the framework of an annual work plan setting forth also the requirements for funding such activities out of the proceeds of the Credit and other domestic and external sources acceptable to the Association;

(ii) by March 30 of each Fiscal Year during the implementation of the Project, beginning with March 30, 1996 provide to the Association a draft annual work plan for the following Fiscal Year setting forth the Province's activities to be carried out and the policy reforms to be

implemented in the primary education sector together with the requirements for funding such activities out of the proceeds of the Credit and other domestic and external sources;

- (iii) together with the Association and not later than May 1 in each Fiscal Year beginning with May 1, 1996, review the Province's activities carried out and the policy reforms implemented under the annual work plan in such Fiscal Year and the draft annual work plan provided pursuant to sub-paragraph (ii) above, and taking into account the recommendations resulting from such review, the Province shall finalize a work plan, acceptable to the Association, describing the Province's activities to be carried out and the policy reforms to be implemented in the primary education sector in the next following Fiscal Year, together with the requirements for funding such activities out of the proceeds of the Credit and other domestic and external sources; and
- (iv) ensure that:
  - (aa) adequate development and recurrent budgetary allocations are made, both from domestic and external sources, for each Fiscal Year to meet the funding requirements of the Province's activities under the work plan for such year referred to in sub-paragraphs (i) and (iii) above; and
  - (bb) at least one-fourth of the funds to be provided by the Province out of its own resources for purposes of carrying out the activities under the work plan in a given Fiscal Year will be deposited in the accounts of the departments and agencies of the Province responsible for carrying out such activities prior to the start of the first quarter of such Fiscal Year and expenditures incurred out of the proceeds of such amount deposited shall be fully replenished prior to the start of each subsequent quarter.

3. Without limitation upon the provisions of paragraph 2 hereof, the Province shall take all such measures as may be necessary or required, satisfactory to the Association, for the purpose of ensuring that its budgetary allocation to primary education for both development and recurrent expenditures in each Fiscal Year during the implementation of the Project increases by at least 5 (five) percent in real terms over the level of expenditures in the previous Fiscal Year taking as base the actual level of expenditures for Fiscal Year 1993-94.

4. For purposes of carrying out Part D.2 of the Project, the Province shall prepare no later than December 31, 1996, and thereafter follow, such procedures and arrangements, including criteria for selection of schools and students for receiving financial assistance, satisfactory to the Association.

5. The Province shall take all such actions as may be necessary or required to ensure that Part A.5 of the Project is carried out in accordance with the Frontier Education Foundation Act, 1992 (the Act), with particular emphasis to the beneficiary targeting provisions set forth therein.

6. Without limitation upon the provisions of Section 2.04 of



this Agreement the Province shall, by January 15 of each Fiscal Year, beginning with Fiscal Year 1996, provide to the Association a mid-Fiscal Year report on the progress of the Project and the annual work plan during that Fiscal Year.

7. Without limitation upon the provisions of Section 2.04 of this Agreement the Province shall, in consultation with the Association and in accordance with terms of reference and methodology acceptable to the Association, undertake and complete by October 31, 1998 a mid-term review of the progress achieved under the Project, the annual work plans and the Program, and, shall, promptly thereafter, carry out the recommendations of such review related to the Project and the annual work plans in a manner acceptable to the Association.

