

CONFORMED COPY

CREDIT NUMBER 2584 PAK

Project Agreement

(Balochistan Natural Resource Management Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF BALOCHISTAN

Dated April 4, 1994

CREDIT NUMBER 2584 PAK

PROJECT AGREEMENT

AGREEMENT, dated April 4, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and PROVINCE OF BALOCHISTAN acting by its Governor (the Province).

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 ten million seven hundred thousand Special Drawing Rights (SDR 10,700,000), 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;

(B) 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 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 with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental protection and resource conservation 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.

(c) The Province shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the National Bank of Pakistan on terms and conditions satisfactory to the Association. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 3 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. 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.

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, 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, 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 or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Province responsible for carrying out the Project or any part thereof.

(b) The Province shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section and those for the Special Account 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 (9) 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 and the audit thereof as the Association shall from time to time reasonably request.

Section 3.02. Except as the Association shall otherwise agree, the Province shall:

(a) not later than January 1, 1997, eliminate the subsidy for tubewell drilling; and

(b) to that end, reduce such subsidy: (i) not later than July 1, 1994, to 70% of the level at which it stood on July 1, 1993; (ii) not later than July 1, 1995, to 40% of such level; and (iii) not later than July 1, 1996, to 10% of such level.

#### 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 (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 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: Telex:

INDEVAS	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

For the Province:

Planning and Development Department  
Government of Balochistan  
Quetta, Pakistan

Cable address: Telex:  
DEVELOPMENT 7875 BLNSE PK  
Quetta, Pakistan

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, or by the Province on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Additional Chief Secretary, P&D or such other person or persons as the Additional Chief Secretary, P&D 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

PROVINCE OF BALOCHISTAN

By /s/ Agha Ghazanfar  
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two pre-disclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods 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.

2. To the extent practicable, contracts for vehicles, motorcycles and tractors and implements shall be grouped into a bid package estimated to cost the equivalent of \$800,000.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods 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. Forest and field works may be carried out by force account.

2. Pollution measuring equipment, estimated to cost up to an aggregate amount equivalent to \$100,000, and civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Other goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Contracts for technical books and journals may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

5. Contracts for mass awareness works, including art work, videotapes, films and other publicity materials, may be awarded in accordance with the normal procedures of the Province satisfactory 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 each contract for civil works estimated to cost the equivalent of \$125,000 or more, and each contract for

goods and mass awareness works estimated to cost the equivalent of \$50,000 or more, 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 the 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 this 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

(a) In order to assist in the carrying out of the Project:

- (i) ES shall employ such consultants as may be needed from time to time for purposes of Part A.3 of the Project;
- (ii) ES, BEPA and BFD shall, not later than December 31, 1994, jointly employ:
  - (A) for ES, natural resource management, mass awareness and training experts;
  - (B) for BEPA, environmental engineers, environmentalists and training and legal experts; and
  - (C) for BFD, a sand dune stabilization specialist and sociologist for purposes of Part B (1) (a) of the Project; an agricultural economist/diagnostic survey specialist and a sociologist for purposes of Part B (2) (a) of the Project; and an agricultural economist/diagnostic survey specialist, a community forester, a juniper/mistletoe disease specialist and a sociologist for purposes of Part B (2) (b) of the Project; and
- (iii) BFD shall:
  - (A) not later than December 31, 1994, employ (aa) PFI and AZRI to provide teams of researchers, and (bb) civil engineers, all for purposes of Part B (2) (b) of the Project; and AZRI to provide a team of economists and pasture and livestock experts for purposes of Part B (2) (a) of the Project; and
  - (B) not later than December 31, 1994, employ UOK to provide a research team of a botanist, a soil salinity expert and research fellows and assistants for

purposes of Part B (1) (a) of the Project; and WWF, to provide a team of a park management planner/team leader, a natural resource/habitat improvement advisor, a wildlife management specialist, a recreation development/civil engineer and a sociologist/socio-economist for purposes of Part B (1) (b) of the Project.

(b) The qualifications, experience and terms and conditions of employment of the consultants and experts referred to in paragraph (a) above shall be satisfactory to the Association. Such consultants and experts 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. For complex, time-based assignments, ES, BEPA and BFD shall employ such consultants and experts 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, ES, BEPA and BFD shall use other standard forms agreed with the Association.

## SCHEDULE 2

### Implementation Program

#### 1. Implementation Arrangements

(a) Responsibility for project implementation shall be assigned as follows:

- (i) to P&D, for the establishment of ES under Part A.1 (a) of the Project, and to ES, after its establishment, for Parts A.1 (a), A.3 and C (in the last case, to the extent it concerns ES) of the Project;
- (ii) to BEPA, for Parts A.1 (b), A.2 and C (in the last case, to the extent it concerns BEPA) of the Project; and
- (iii) to BFD, for Parts A.1 (c), B and C (in the last case, to the extent it concerns BFD) of the Project.

(b) A project steering committee shall be established not later than September 30, 1994 to coordinate the work of ES, BEPA, BFD and other departments and agencies of the Province responsible for, or involved in, the carrying out of the Project. The PSC shall consist of the Additional Chief Secretary, P&D, as chairman, and, among others, the Secretaries of the Finance, Urban Planning and Development, and Forest Departments of the Province, as members. The PSC shall meet twice a year, or more often if so required, to review the state of project implementation and to recommend improvements as necessary. ES shall serve as the secretariat to the PSC.

(c) In addition, ES shall be specifically responsible for overall project monitoring and for liaising with the Association, and, to those ends, inter alia, for:

- (i) preparing and furnishing to the Association within 60 days of the end of each reporting period, beginning with the semester ending December 31, 1994, consolidated semi-annual progress reports on project activities based on inputs from the various project implementing agencies and in form and substance satisfactory to the Association;
- (ii) preparing and furnishing to the Association Part

II of the Project Completion Report to be prepared pursuant to Section 9.06 of the General Conditions; and

- (iii) operating the Special Account and preparing and/or consolidating and submitting to the Association withdrawal applications.

## 2. Staff Appointments

(a) P&D shall, not later than September 30, 1994, appoint to ES for the purposes of the Project, additional staff including at least a Director, an Assistant Director and four Research Assistants, together with the necessary support staff.

(b) BEPA shall, not later than September 30, 1994, recruit for the purposes of the Project, in addition to its current staff, at least two Assistant Directors, an Administrative Officer and two Publicity Officers, together with the necessary support staff.

(c) BFD shall, not later than September 30, 1994, recruit for the purposes of the Project, in addition to its current staff, at least a Visitor's Center Curator, two Forest Range Officers, eight Foresters, and nine Forest Guards, together with the necessary support staff.

(d) P&D and BEPA shall, not later than December 31, 1998, review with the Association the staffing situation of ES and BEPA and agree with the Association on the categories and numbers of staff required to be retained by them on a permanent basis after the completion of the Project.

## 3. Hazarganji-Chiltan National Park Management Plan

BFD shall furnish to the Association, for its prior review and concurrence, the proposed park management plan (PMP) for the Hazarganji-Chiltan National Park prepared for the purposes of Part B (1) (b) of the Project.

## 4. Community Participation

BFD shall, before commencing any programs under Part B of the Project, take suitable steps to identify the community groups that would participate in such programs and agree with them on the necessary action plans to carry out such programs.

## 5. Proposals for Training

ES, BEPA and BFD shall furnish to the Association, for its prior review and approval, proposals for any training to be carried out under Part C of the Project.

## 6. Preparation of Studies

ES shall:

(a) furnish to the Association, for its prior review and approval, proposals for any studies to be carried out under Part A.3 of the Project; and

(b) not later than June 30, 1996, complete a study, including the necessary draft legislation, satisfactory to the Association, for the development of technical criteria for regulating access to the Province's aquifers.

## 7. Unaudited Project Accounts

ES, BEPA and BFD shall furnish to their respective auditors their unaudited project accounts within three months of the end of each fiscal year, with copies to the Association.

## 8. Mid-Term Review



ES, BEPA and BFD shall, jointly with the Association and observers from any Non-Governmental Organizations (NGOs) having an interest in the matter and in accordance with terms of reference satisfactory to the Association, carry out, not later than September 30, 1996, a mid-term review of the overall Project as well as of individual project activities under Part B of the Project, and shall make such adjustments to the project activities and the related organizational and operational arrangements as may be warranted in the light of such review.

### SCHEDULE 3

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to the Development Credit Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to the Development Credit Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$700,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Province shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Province, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Province shall have requested.

- (b) (i) For replenishment of the Special Account, the Province shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Province shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Province, withdraw from the Credit Account and deposit into the Special Account such amount as the Province shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Province out of the Special Account, the Province shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Province directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Province. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Province shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Province has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Province shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Province may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of the Development Credit Agreement, including the General Conditions.

