

CONFORMED COPY

CREDIT NUMBER 2383 PAK

(Environmental Protection and Resource Conservation Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 1, 1992

CREDIT NUMBER 2383 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 1, 1992, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to contract from the European Economic Community (EEC) a grant (the EEC Grant) in an amount equivalent to \$13,500,000 to assist in financing Parts D.1 (a) and (b) of the Project on the terms and conditions set forth in an agreement (the EEC Grant Agreement) to be entered into between the Borrower and EEC;

(C) the Project will be carried out in part by the Province of Punjab (Punjab), the Province of Sindh (Sindh), the North West

Frontier Province (NWFP) and Azad Jammu and Kashmir (AJK) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Punjab, Sindh, NWFP and AJK a portion of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and Punjab, Sindh, NWFP and AJK;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Punjab" means the Province of Punjab, a political sub-division of the Borrower, or any successor thereto;

(b) "Sindh" means the Province of Sindh, a political sub-division of the Borrower, or any successor thereto;

(c) "NWFP" means the North West Frontier Province, a political sub-division of the Borrower, or any successor thereto;

(d) "AJK" means the territory of Azad Jammu and Kashmir, or any successor thereto;

(e) "EUAD" means the Environment and Urban Affairs Division of the Borrower's Ministry of Public Works and Housing;

(f) "the Ordinance" means the Borrower's Environmental Protection Ordinance (No. XXXVII of 1983);

(g) "PEPA" means the Pakistan Environmental Protection Agency, an entity established under the Ordinance;

(h) "the Council" means the Pakistan Environmental Protection Council established under the Ordinance;

(i) "Punjab P&D" means the Punjab Planning and Development Board;

(j) "PFD" means the Forestry, Wildlife and Fisheries Department of Punjab;

(k) "Sindh P&D" means the Sindh Planning and Development Department;

(l) "Sindh EPA" means the Environmental Protection Agency of Sindh;

(m) "SFD" means the Forestry Department of Sindh;

(n) "NWFP P&D" means the NWFP Planning and Development Department;

(o) "NWFP EPA" means the Environmental Protection Agency of NWFP;

(p) "NWFP FD" means the Forestry Department of NWFP;

- (q) "AJK P&D" means the AJK Planning and Development Department;
- (r) "AJKFD" means the Forestry Department of AJK;
- (s) "DEPM" means the Department of Environmental Planning and Management of the University of Peshawar in NWFP;
- (t) "EIA" means Environmental Impact Assessment;
- (u) "GIS" means Geographic Information System;
- (v) "ECNEC" means the Executive Committee of the Borrower's National Economic Council;
- (w) "CDWP" means the Borrower's Central Development Working Party;
- (x) "PDWP" means a Provincial Development Working Party;
- (y) "Project Agreement" means the agreement between the Association and Punjab, Sindh, NWFP and AJK of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (z) "Special Accounts" mean collectively the accounts referred to in Section 2.02 (b) of this Agreement and more fully defined in paragraphs (x) through (bb) of this Section, and "Special Account" means individually each and any such account;
- (aa) "the Borrower's Special Account" means the Special Account which the Borrower shall open and maintain pursuant to Section 2.02 (b) of this Agreement;
- (bb) "Punjab Special Account" means the Special Account which Punjab shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;
- (cc) "Sindh Special Account" means the Special Account which Sindh shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;
- (dd) "NWFP Special Account" means the Special Account which NWFP shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;
- (ee) "AJK Special Account" means the Special Account which AJK shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;
- (ff) "Rs" and "rupees" mean the currency of the Borrower; and
- (gg) "FY" and "fiscal year" mean the period July 1 through June 30.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-one million four hundred thousand Special Drawing Rights (SDR 21,400,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) 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.

(b) The Borrower shall, for the purposes of its activities under the Project, open and maintain in dollars a special deposit account in the National Bank of Pakistan, and shall, for the purposes of their respective activities under the Project, cause Punjab, Sindh, NWFP and AJK to open and maintain in dollars special deposit accounts in the National Bank of Pakistan, all on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent ($1/2$ of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing November 15, 2002 and ending May 15, 2027. Each installment to and including the installment payable on May 15, 2012 shall be one and one-fourth percent ($1-1/4\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2-1/2\%$) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from

time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Chairman, Punjab P&D, the Additional Chief Secretary, Sindh P&D, the Additional Chief Secretary, NWFP P&D, and the Additional Chief Secretary, AJK P&D, are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of the activities of Punjab, Sindh, NWFP and AJK, respectively, under the Project.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end: (i) shall carry out its activities under the Project through EUAD, PEPA and DEPM with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environment and natural resource conservation practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such activities; and (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Punjab, Sindh, NWFP and AJK to perform in accordance with the provisions of the Project Agreement all the obligations of Punjab, Sindh, NWFP and AJK therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Punjab, Sindh, NWFP and AJK to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out its activities under the Project in accordance with the Implementation Program set forth in Schedule 4 of this Agreement.

(c) The Borrower shall out of the proceeds of the Credit:

- (i) retain an amount equivalent to about SDR 2,900,000 for the purposes of the Borrower's activities under the Project;
- (ii) make available to Punjab an amount equivalent to about SDR 3,500,000 for the purposes of Punjab's activities under the Project;
- (iii) make available to Sindh an amount equivalent to about SDR 5,300,000 for the purposes of Sindh's activities under the Project;
- (iv) make available to NWFP an amount equivalent to about SDR 2,700,000 for the purposes of NWFP's activities under the Project; and
- (v) make available to AJK an amount equivalent to

about SDR 7,000,000 for the purposes of AJK's activities under the Project.

Section 3.02. 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 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that 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 activities of Punjab, Sindh, NWFP and AJK under the Project shall be carried out by Punjab, Sindh, NWFP and AJK, respectively, pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower 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 EUAD, PEPA and DEPM.

(b) The Borrower shall:

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

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with paragraph (a) of this Section records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with

the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall ensure that the Council will hold its initial meeting not later than December 31, 1992, and will meet regularly thereafter at least twice a year.

Section 4.03. The Borrower shall ensure that its Planning Commission will, beginning not later than July 1, 1993, (a) screen all public development expenditures in light of the national environmental quality standards to be established under the Project; and (b) require all public investors to comply with the EIA procedures to be established under the Project in respect of investments considered likely to adversely affect the environment.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Punjab, Sindh, NWFP or AJK shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Punjab, Sindh, NWFP or AJK will be able to perform its obligations under the Project Agreement.

(c) The Ordinance shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability: (i) of the Borrower to perform any of its obligations under this Agreement; or (ii) of Punjab, Sindh, NWFP or AJK to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EUAD, the Council, PEPA, Sindh EPA or NWFP EPA or for the suspension of its operations.

(e) The EEC Grant Agreement shall have failed to become effective by June 30, 1993, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for Parts D.1 (a) and (b) of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(f) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the EEC Grant shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the EEC Grant Agreement.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the EEC Grant Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e) of Section 5.01 of this Agreement shall occur, subject to the proviso thereof.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that ECNEC or CDWP or a PDWP, as the case may be, has approved the PC-1 documents with respect to the Project.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by Punjab, Sindh, NWFP and AJK, and is legally binding upon Punjab, Sindh, NWFP and AJK in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under the provisions of paragraphs (a) and (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Affairs Division
Islamabad
Pakistan

Cable address:

ECONOMIC
Islamabad

Telex:

ECDIV-05-634

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)

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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Arshad Farooq

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works, reforestation and field works for:		90%
(a) Punjab	1,000,000	
(b) Sindh	1,100,000	
(c) AJK	3,500,000	
(2) Community development works for AJK	150,000	60%
(3) Equipment, vehicles, motor- cycles, boats, furniture, tech- nical books and journals, and inputs for:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expend- itures for other items procured locally
(a) the Borrower	370,000	
(b) Punjab	440,000	

(c) Sindh	370,000	
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Category		
(d) NWFP	290,000	
(e) AJK	590,000	
(4) Consultants' services for:		80%
(a) the Borrower	1,030,000	
(b) Punjab	950,000	
(c) Sindh	2,070,000	
(d) NWFP	1,240,000	
(e) AJK	950,000	
(5) Training and mass awareness program for:		100%
(a) the Borrower	660,000	
(b) Punjab	150,000	
(c) Sindh	880,000	
(d) NWFP	730,000	
(e) AJK	290,000	
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Category		
(6) Incremental staff and operating costs for:		
(a) the Borrower	440,000	80% until an amount equivalent to SDR 200,000 has been disbursed from this Category; 60% thereafter and until an amount equivalent to SDR 340,000 has been disbursed from this Category; and 40% thereafter
(b) Punjab 590,000		80% until an amount equivalent to SDR 270,000 has been disbursed from this Category; 60% there-

after and until an amount equivalent to SDR 460,000 has been disbursed from this Category; and 40% thereafter

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(c) Sindh	370,000	80% until an amount equivalent to SDR 170,000 has been disbursed from this Category; 60% thereafter and until an amount equivalent to SDR 290,000 has been disbursed from this Category; and 40% thereafter

(d) NWFP	150,000	80% until an amount equivalent to SDR 70,000 has been disbursed from this Category; 60% thereafter and until an amount equivalent to SDR 120,000 has been disbursed from this Category; and 40% thereafter
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Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(e) AJK	800,000	80% until an amount equivalent to SDR 360,000 has been disbursed from this Category; 60% thereafter and until an amount equivalent to SDR 620,000 has been disbursed from this Category; and 40% thereafter

(7) Unallocated for:

(a) the Borrower	400,000
(b) Punjab	370,000

(c) Sindh	510,000
(d) NWFP	290,000
(e) AJK	720,000
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TOTAL	21,400,000 =====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental staff and operating costs" means the salaries, allowances and other emoluments of, and other costs related to, the additional staff recruited or reassigned, and the cost of operating the equipment and vehicles and maintaining the civil works provided, all for carrying out the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support efforts to improve environmental protection and natural resource management and, to that end, to: (a) strengthen the legislative and policy framework and the key governmental institutions concerned; (b) heighten awareness among policy-makers, officials and the public of the related issues; (c) improve the level of professional education in the relevant fields; and (d) facilitate the preparation and implementation of projects.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Institutional Building

The Federal Level:

1. Strengthening of EUAD through: (a) the establishment of three new sections with specific responsibilities for international cooperation, local environmental matters and legal affairs, respectively; and (b) the development of (i) regulations to enforce the Ordinance, (ii) national environmental quality standards, and (iii) EIA procedures.
2. Activation and expansion of PEPA so as to function as EUAD's technical, legal and implementing arm, with specific responsibilities for enforcement of the Ordinance, the national environmental quality standards and EIA procedures.

The Provincial Level:

3. Strengthening of (a) Sindh EPA and (b) NWFP EPA through: (i) the development of provincial environmental quality standards; and (ii) the establishment of improved capability to monitor

pollutant discharges and enforce national/provincial environmental quality standards, review EIAs and monitor natural resource management.

4. Strengthening of Punjab P&D through the establishment of a new environmental section with specific responsibility for examining proposed development expenditures in light of government's environmental policies and the need for observance of EIA procedures.

Part B: Mass Awareness Program

Carrying out by (i) EUAD, (ii) Sindh EPA and (iii) NWFP EPA of a mass awareness program to educate policy-makers, officials and the public in environment-related issues, inter alia, through seminars, radio and television programs, newspaper and magazine articles, and the use of billboards and posters.

Part C: Professional Training and Research Development

Establishment by DEPM of a digitized GIS, consisting of about eight or nine linked work stations, a digitizer, a plotter and associated hardware, and software systems, for use: (i) by DEPM, to integrate into its Master of Science (MSc) program and the several new short courses it intends to develop for government officials and others in environmental planning, management, technology and economics; and (ii) by DEPM and other government agencies, including the Pakistan Council of Scientific and Industrial Research (PCSIR), in conducting environmental studies and research in NWFP.

Part D: Natural Resource Rehabilitation

1. Watershed Rehabilitation and Development

Carrying out of upland rehabilitation and development in (a) Murree, Kahuta and Kotli Sattian in the mountainous regions of northern Punjab, (b) Dir Kohistan in the Malakand Division of northern NWFP, and (c) Bhimber in the Mirpur district of AJK, all generally including soil conservation works such as gully plugging, check dams, interceptor drains, vegetative hedges planted along contours, and regrassing of hillsides; reforesting private, community and forest lands with broad-leaved (for firewood, fodder and timber) and pine species; repairing dilapidated terraces or constructing new terraces on existing cleared land for high value vegetable crop production; and planting fruit trees, increasing fodder and crop production through the introduction of better varieties, reseeding rangelands, constructing access roads and paths, improving animal health, undertaking adaptive research and extension, and developing village community facilities (including water supply, roads and bridges).

2. Rangeland Rehabilitation and Development

Carrying out of an alpine/sub-alpine pastures study for the upper Neelum Valley in AJK, consisting of: (a) a survey and study of the relevant ecosystem, (b) development of an approach to reduce pasture degradation, (c) undertaking of adaptive trials to test proposals for pasture rehabilitation and conservation, (d) recommendation of methods for pasture rehabilitation and conservation and preparation of detailed terms of reference for a feasibility study for an investment project based on the foregoing studies and trials, and (e) training of a cadre of local officials to carry out similar studies elsewhere.

3. Reforestation and Wildlife Refuge Management

- (a) Reforestation, on a pilot basis, of about 1,200 ha of riverine land along the Chenab river and about 800 ha along the Ravi river located approximately 75 km. south and 120 km. north-west of Lahore, respectively, in Punjab.

- (b) Strengthening of PFD's Punjab Wildlife Research Centre (PWRC) at Gatwala, Faisalabad, with added capability to:
 - (i) carry out appropriate animal surveys and animal handling methods; (ii) design and undertake population surveys of ecologically and/or commercially valuable species in selected refuge and non-refuge areas; (iii) conduct data management and interpretation; and (iv) develop guidelines for wildlife habitat management.
- (c) Taking of measures, on a pilot basis, to rehabilitate the Indus Delta mangroves in the coastal areas of Sindh, including: (i) the re-establishment of a Coastal Forestry Division in SFD to enforce protection measures, coordinate research and accumulate knowledge and experience on management problems; (ii) the replanting or regeneration of about 16,000 ha. of mangroves; (iii) the commencement of social forestry to create alternative sources of fuelwood and fodder so as to reduce pressure on the mangroves; and (iv) the initiation of a research program on the mangrove ecosystem which would:
 - (aa) continue sociological studies to identify more clearly the threats to mangroves and devise the means to protect and rehabilitate them; (bb) promote silvicultural research on different species, methods of natural and artificial regeneration and other aspects; (cc) initiate marine research on the fish and shrimp populations of the mangroves; and (dd) continue research on land-based vertebrates and recommend a plan for managing them.

Part E: Training and Studies

1. Provision of training to government staff in fields relating to environmental protection and resource conservation through:
 - (a) short-term foreign courses, consisting of study tours, international seminars, conferences and workshops, short courses on particular subjects, and foreign lecturers conducting short courses locally;
 - (b) short-term local courses, consisting of introductory courses for senior government officials and regular in-service training for professional staff; and
 - (c) some long-term foreign courses, primarily for a masters degree, for the staff of (i) Sindh EPA and (ii) NWFP EPA.
2. Carrying out of policy studies and preparation of future projects both:
 - (a) at the Federal level; and
 - (b) in (i) Punjab, (ii) Sindh, (iii) NWFP, and (iv) AJK.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, equipment, including computer hardware and software, vehicles and motor-cycles, 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 1985 (the Guidelines).

2. To the extent practicable, contracts for equipment, vehicles and motor-cycles shall be grouped in bid packages estimated to cost the equivalent of \$50,000 or more each.

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. Civil works and community development works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Reforestation estimated to cost up to an aggregate amount not to exceed the equivalent of \$6,000,000 and field works estimated to cost up to an aggregate amount not to exceed the equivalent of \$3,200,000 may all be carried out on a force account basis in accordance with, and subject to, the provisions of paragraph 3.6 of the Guidelines.

3. Equipment, furniture, boats, inputs and other items estimated to cost less than the equivalent to \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,500,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries or three local suppliers all eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Technical books and journals estimated to cost up to an aggregate amount not to exceed the equivalent of \$50,000 may be procured directly from suppliers.

5. Mass awareness works, including art work, videotapes, films and other publicity materials, shall be commissioned under contracts awarded in accordance with the normal procedures, satisfactory to the Association, of the agency commissioning the works.

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 and community development works estimated to cost the equivalent of \$70,000 or more, each contract for equipment, vehicles and motor-cycles estimated to cost the equivalent of \$50,000 or more and each contract for 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 a 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 a 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 5 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 carrying out Parts A through E.1 of the Project:

- (i) EUAD shall employ an environmental policy expert, a legal expert, an environmentalist and an environmental engineer both for PEPA, and a mass awareness expert;
- (ii) DEPM shall employ geographical, remote sensing and digitized mapping experts and experts in environmental planning and management;
- (iii) Punjab P&D shall employ environmentalists with EIA and policy experience;
- (iv) Punjab FD shall employ: (aa) for purposes of Part D.1(a) of the Project, a watershed management specialist, a horticulturist, a soil conservationist, a landside control specialist, a monitoring/evaluation specialist, and a sociologist; and (bb) for purposes of Part D.3(b) of the Project, a wildlife survey specialist, a wildlife habitat ecologist and a sanctuary management specialist;
- (v) Sindh EPA shall employ environmentalists with EIA experience, environmental engineers with experience in industrial and urban solid waste disposal, and a mass awareness expert;
- (vi) Sindh FD shall employ a silviculturist, a marine biologist, an economist and a sociologist;
- (vii) NWFP EPA shall employ environmentalists with EIA experience, environmental engineers with experience in industrial and urban solid waste disposal, and a mass awareness expert;
- (viii) NWFP FD shall employ, for purposes of Part D.1(b) of the Project, a watershed management specialist, a soil conservationist, a horticulturist, a livestock specialist, an agricultural economist, a monitoring/evaluation specialist, and a sociologist; and
- (ix) AJK FD shall employ: (aa) for purposes of Part D.1(c) of the Project, a watershed management specialist, a soil conservationist, an agricultural extensionist, an agricultural economist, a livestock/range specialist, a river control engineer, a monitoring/evaluation specialist and a sociologist; and (bb) for purposes of Part D.2 of the Project, a range/pasture ecologist, a livestock specialist, a forage production specialist, a socio-economist and sociologists.

(b) In order to assist in carrying out Part E.2 of the Project, EUAD, Punjab P&D, Sindh EPA, NWFP EPA and AJK P&D,

respectively, shall employ such consultants as may be needed from time to time.

(c) The qualifications, experience and terms and conditions of employment of the consultants and experts referred to in paragraphs (a) and (b) above shall be satisfactory to the Association. Such consultants and experts, except those required for Parts D.1 (a) and D.1 (b) of the Project and to be financed out of the proceeds of the EEC Grant, 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.

SCHEDULE 4

Implementation Program

1. Implementing Agencies

(a) EUAD shall have overall responsibility for implementing and coordinating Parts A, B and C of the Project. To that end, under the overall management of its Secretary or Additional Secretary, (i) EUAD's three new sections to be established under Part A.1 (a) of the Project, together with PEPA, shall collaborate closely with the other Project implementing agencies referred to in paragraph (b) below, and (ii) EUAD shall provide the funds required by DEPM for purposes of Part C of the Project.

(b) Specific responsibility for Project implementation shall be assigned as follows:

- (i) at the Federal level, to EUAD for Parts A.1, A.2 and B (i) of the Project; to DEPM for Part C of the Project; to each of these agencies for training of their respective staff (including, in the case of EUAD, of PEPA's staff) under Parts E.1(a) and E.1(b) of the Project; and to EUAD, acting in collaboration with the appropriate Federal or Provincial agency, for Part E.2(a) of the Project;
- (ii) in Punjab, to Punjab P&D for Part A.4 of the Project; to the Murree Kahuta Development Authority, assisted by the Punjab Departments of Agriculture and Livestock, for Part D.1(a) of the Project; to PFD for Part D.3(a) of the Project, and through the Punjab Wildlife Research Center for Part D.3(b) of the Project; to each of these agencies for training of their respective staff under Parts E.1(a) and E.1(b) of the Project; and to Punjab P&D for Part E.2 (b) (i) of the Project;
- (iii) in Sindh, to Sindh EPA for Parts A.3 (a) and B (ii) of the Project; to SFD's Coastal Forestry Division for Part D.3 (c) of the Project; to each of these agencies for training of their respective staff under Part E.1 of the Project; and to Sindh EPA and Sindh P&D for Part E.2 (b) (ii) of the Project;
- (iv) in NWFP, to NWFP EPA for Parts A.3 (b) and B (iii) of the Project; to NWFP FD, assisted by NWFP Departments of Agriculture, Livestock and Communications and Works, as necessary, for Part D.1 (b) of the Project; to each of these agencies for training of their respective staff under Part E.1 of the Project; and to NWFP EPA and NWFP P&D for Part E.2 (b) (iii) of the Project; and

- (v) in AJK, to AJK FD, assisted by AJK Departments of Agriculture, Livestock and Communications and Works, for Parts D.1 (c) and D.2 of the Project; to AJK FD for training of its staff under Parts E.1(a) and E.1(b) of the Project; and to AJK P&D for Part E.2 (b) (iv) of the Project.

2. Staff and Consultant Appointments

(a) EUAD shall establish, staff and equip its three new sections under Part A.1 (a) of the Project not later than December 31, 1992.

(b) PEPA shall recruit and place one Director and three Deputy Directors not later than December 31, 1992; a second Director and another three Deputy Directors not later than December 31, 1993; and a third Director not later than December 31, 1994.

(c) DEPM shall employ, not later than December 31, 1992, at least two additional full-time teaching staff to work with GIS to be established under Part C of the Project.

(d) Punjab P&D shall establish, staff and equip its new environmental section under Part A.5 of the Project not later than December 31, 1992.

(e) Sindh EPA shall fill: (i) at least four of its seven sanctioned Assistant Director positions not later than December 31, 1992; (ii) the remaining such Assistant Director positions not later than June 30, 1994; and (iii) four Deputy Director positions, together with the necessary support staff positions, responsible, inter alia, for the four areas referred to in Part A.4(a) of the Project, not later than June 30, 1995.

(f) NWFP EPA shall fill two Deputy Director, five Assistant Director and two administrative staff positions, together with the necessary support staff positions, responsible, inter alia, for the areas referred to in Part A.4(b) of the Project, not later than June 30, 1994.

(g) The Project implementing agencies shall appoint the consultants and experts referred to in Section II (a) of Schedule 3 to this Agreement not later than March 31, 1993.

3. Proposals for Training

The Project implementing agencies shall furnish proposals for any training to be carried out under Part E.1 of the Project to the Association for its prior review and approval.

4. Preparation of Studies

EUAD, Punjab P&D, Sindh EPA, NWFP EPA and AJK P&D shall, respectively, furnish proposals for any studies to be carried out under Part E.2 of the Project to the Association for its prior review and approval.

5. Submission of Unaudited Project Accounts

The Project implementing agencies shall furnish to their respective auditors their unaudited Project accounts within three months after the end of each fiscal year.

6. Work Plans, Reporting Requirements and Withdrawal Applications

EUAD shall be specifically responsible, inter alia, for:

(a) preparing and furnishing to the Association within 60 days of the end of each reporting period consolidated semi-annual progress reports on Project activities based on the semi-annual progress reports prepared by the various Project implementing agencies;

(b) 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

(c) preparing and/or consolidating and submitting to the Association withdrawal applications.

7. Monitoring and Evaluation

(a) Monitoring. The Project implementing agencies shall be responsible for monitoring the Project activities for which they are respectively responsible under Part D of the Project. They shall carry out such monitoring and analysis in terms of inputs, outputs and effects or success in meeting the objectives of such activities. They shall provide the results of such monitoring to PEPA, IGF and the Sindh and NWFP EPAs.

(b) Evaluation. EUAD, together with any Non-Governmental Organizations (NGOs) and any Federal or Provincial agency having an interest in the matter, shall, jointly with the Association and with observers from PEPA and the Sindh and NWFP EPAs, and in accordance with terms of reference acceptable to the Association:

(i) carry out, not later than September 30, 1995, a mid-term review of the overall Project as well as of individual Project activities under Part D of the Project, and obligate the Project implementation agencies to make any adjustments as may be warranted in the Project activities and the related organizational and operational arrangements; and

(ii) carry out, in the last year of Project implementation, a final evaluation of the Project activities carried out under Part D of the Project.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories set forth in the table in paragraph 1 of Schedule 1 to this 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 this Agreement; and

(c) the term "Authorized Allocation" means, in respect of the Borrower, an amount equivalent to \$250,000 to be withdrawn from the Credit Account and deposited into the Borrower's Special Account; in respect of Punjab, an amount equivalent to \$300,000 to be withdrawn from the Credit Account and deposited into the Punjab Special Account; in respect of Sindh, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Sindh Special Account; in respect of NWFP, an amount equivalent to \$250,000 to be withdrawn from the Credit Account and deposited into the NWFP Special Account; and in respect of AJK, an amount equivalent to \$700,000 to be withdrawn from the Credit Account and deposited into the AJK Special Account, all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts 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 a Special Account has been duly opened, withdrawals of the relevant Authorized Allocation and subsequent withdrawals to replenish such Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, 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 Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, 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 Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, 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 Borrower, Punjab, Sindh, NWFP or AJK, as the case maybe, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, 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 Borrower, Punjab, Sindh, NWFP or AJK, as the case maybe, out of a Special Account, the Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, 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 a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, 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 for activities under the Project for which the Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, is responsible 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 such activities under 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 for such activities under the Project shall follow such

procedures as the Association shall specify by notice to the Borrower, Punjab, Sindh, NWFP or AJK, as the case may be. 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 such 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 a 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 Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, 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 Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, 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 a Special Account will not be required to cover further payments for eligible expenditures, the Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower, Punjab, Sindh, NWFP or AJK, as the case may be, may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a 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 this Agreement, including the General Conditions.

