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DUTCH GRANT AGREEMENT

(Balochistan Community Irrigation and Agricultural Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

as Administrator of Grant Funds provided by the

MINISTER FOR DEVELOPMENT COOPERATION OF THE NETHERLANDS

Dated March 28, 1996

DUTCH GRANT AGREEMENT

AGREEMENT, dated March 28, 1996, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Administrator) as administrator of grant funds provided by the MINISTER FOR DEVELOPMENT COOPERATION OF THE NETHERLANDS (the Minister).

WHEREAS (A) the Recipient has obtained from the International Development Association (the Association) a credit in an amount in various currencies equivalent to SDR 18,500,000 to assist in the financing of Balochistan Community Irrigation and Agricultural Project (the Project) on the terms and conditions set forth in an agreement entered into between the Recipient and the Association dated November 22, 1995.

WHEREAS (B) pursuant to an agreement dated May 24, 1995, between the Minister and the Bank and International Development Association (the Association), (the Arrangement), the Minister has appointed the Bank and the Association, and the Bank and the Association have agreed, to administer grant funds to be made available by the Minister for the financing of certain programs and projects supported by the Bank and the Association, as the case may be, in accordance with the provisions of the Arrangement;

WHEREAS (C) the Recipient has requested, and the Minister and the Administrator have agreed, to make available to the Recipient a grant out of the grant funds referred to in (B) above (the Grant) to finance the cost of technical assistance described in Schedule 2 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

WHEREAS (D) the Technical Assistance will be implemented by the Recipient's Province of Balochistan (Balochistan) with the Recipient's assistance, as part of such assistance, the Recipient will make available to Balochistan the proceeds of the Grant as provided in this Agreement; and

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (18) and (ii) Sections 2.01 (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- 6.04, 6.06 and (vi) Sections 6.01, 6.02 (except for paragraph (h) thereof), 6.03, 6.07;
- (vii) Section 8.01 (b);
- (viii) Article IX except for Section 9.03 thereof;
- (ix) Article X; and
- (x) Article XI.

(b) The General Conditions shall be modified as follows:

(i) the term "Bank", wherever used in the General Conditions, means the International Bank for Reconstruction and Development acting as Administrator of the Grant pursuant to the Arrangement, except that in Sections 2.01 (8) and (11) and 6.02 (f), the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;

(ii) the term "Borrower", wherever used in the General Conditions, means the Recipient;

(iii) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;

(iv) the term "Loan", wherever used in the General Conditions, means the Grant;

(v) the term "Loan Account", wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;

(vi) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in dollars; provided, however, that if the expenditures to be financed out of the proceeds of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of

such withdrawal"; and

(vii) The second sentence of Section 5.01 is modified to read:

"Except as the Recipient and the Bank shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Whenever used in this Agreement, unless the context otherwise requires: (a) the several terms defined in the General Conditions and in the recitals to this Agreement have the respective meanings therein set forth; (b) the term "Dutch Guilders" mean the currency of the Netherlands; and (c) the term "PMU" means the Project Management Unit within the Balochistan Irrigation Department (BID).

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in the amount of six million three hundred thousand dollars (\$6,300,000).

Section 2.02. The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Technical Assistance to be financed out of the proceeds of the Grant.

Section 2.03. Except as the Administrator shall otherwise agree, consultants' services to be financed out of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be June 30, 2002 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

Section 2.05. The Administrator shall not be obligated to make any disbursement under this Agreement except to the extent it shall have received funds for this purpose from the Minister pursuant to the agreement referred to in WHEREAS clause (C) of this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Technical Assistance Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Balochistan to carry out the Technical Assistance with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall cause Balochistan to take or cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or permit to be taken any action which would prevent or interfere with such performance.

(b) The Recipient shall make the proceeds of the Grant available to Balochistan in accordance with arrangements satisfactory to the Administrator.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall cause Balochistan to maintain records and

accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Technical Assistance of the departments and agencies of Balochistan responsible for carrying out the Technical Assistance or any part thereof.

(b) Balochistan shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;

(ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Administrator shall from time to time reasonably request.

ARTICLE V

Effectiveness

Section 5.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 5.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VI

Representation

Section 6.01. The Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in the Economic Affairs Division of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.03 of the General Conditions:

For the Recipient:

The Secretary to the Government of Pakistan
Economic Affairs Division
Islamabad, Pakistan

Cable address:

ECONOMIC
Islamabad

Telex:

ECDIV-05-634

For the Administrator:

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
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 as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Mansoor Elahi

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
as Administrator of the Grant

By /s/ D. Joseph Wood

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

Category	Amount of the Grant Allocated (Expressed in dollars)	% of Expenditures to be Financed
(1) Consultants' services	5,400,000	100%
(2) Operating Costs	900,000	60%
TOTAL	6,300,000 =====	

2. For the purposes of this Schedule, the term "operating costs" means salaries allowances and other emoluments of additional staff of PMU recruited for the purposes of Part B of the Technical Assistance as well as the operating and maintenance costs of vehicles, equipment and offices of PMU used in the carrying out said Part.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of (i) payments made prior to the date of this Agreement; and (ii) expenditures in excess of Dutch Guilders 10,395,000 equivalent in the aggregate.

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for operating costs, and expenditures under contracts for consultants' services not exceeding the equivalent \$100,000 for employment of consulting firms and \$50,000 for employment of individual consultants,

under such terms and conditions as the Administrator shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Technical Assistance

The objective of the Technical Assistance is to assist the Recipient implement and sustain the Project.

The Technical Assistance consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective.

Part A: Provide training and technical assistance to assist:

- (1) develop farmer organization which can operate and maintain minor irrigation systems;
- (2) construct and rehabilitate about 30 irrigation schemes, a pilot program of four flood irrigation schemes and, where needed, associated potable water supplies;
- (3) support BID change its role from a builder of minor irrigation to a supplier of technical services to farmer organizations;
- (4) undertake a pilot program to assist BID in transferring the operation and maintenance responsibilities of all minor irrigation schemes (other than flood irrigation) to farmer organization; and
- (5) provide support for management, and monitoring and evaluation, of the Project.

Part B: Following completion of the Project, provision of engineering, agricultural and other services to the Project beneficiaries.

* * *

The Technical Assistance and Project Aftercare is expected to be completed by June 30. 2002.

SCHEDULE 3

Employment of Consultants

1. In order to assist Balochistan in carrying out the Project, the Recipient shall cause Balochistan to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator 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 Recipient shall cause Balochistan to employ such consultants under contracts using the standard form of contract for consultants' services issued by the Administrator, with such modifications as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Administrator, Balochistan shall use other standard forms agreed with the Administrator.
2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant guidelines requiring prior Administrator 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 Administrator 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 Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or raising the contract value to \$50,000 equivalent or above.

