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OFFICIAL DOCUMENTS

CREDIT NUMBER 5885 - PK

Project Agreement

(Balochistan Integrated Water Resources Management and Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF BALOCHISTAN

Dated August 31, 2016

PROJECT AGREEMENT

Agreement dated August 31, 2016, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and PROVINCE OF BALOCHISTAN ("Project Implementing Entity") ("Project Agreement") connection with the Financing Agreement ("Financing Agreement") of same date between the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services, and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity's Representative is its Additional Chief Secretary (Development).

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
UNITED STATES OF AMERICA

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

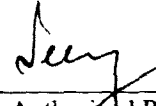
Planning & Development Department
Government of Balochistan
Block 6, Balochistan Civil Secretariat
Sahara-e-Zargoan
Quetta, Balochistan
PAKISTAN

Cable:	Facsimile:
DEVELOPMENT QUETTA PAKISTAN	92-81-920-2419

AGREED at Islamabad, Islamic Republic of Pakistan as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: PATCHAMUTHU ILANGO

Title: CONSULTANT

PROVINCE OF BALOCHISTAN

By



Authorized Representative

Name: M. SHEHRYAR

Title: CONSULTANT

PLANNING & DEVELOPMENT DEPARTMENT
GOVERNMENT OF BALUCHISTAN

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall establish by no later than one (1) month after the Effective Date and maintain throughout the period of Project implementation, a Project Steering Committee ("PSC") with composition and terms of reference satisfactory to the Association. The PSC shall be responsible for, *inter alia*, providing planning and strategic guidance for Project implementation, ensuring coordination among all stakeholders, reviewing and monitoring the progress of the Project, making policy decisions and suggesting measures to ensure the smooth implementation of Project activities, and resolving complaints brought to it by the chairperson of the Grievance Redress Committee ("GRC").
2. The Project Implementing Entity shall maintain throughout the period of Project implementation, a Project Management Unit ("PMU") under the direction of qualified management provided with sufficient resources and staffed with competent personnel in adequate numbers, in each case with qualifications, experience and under terms of reference acceptable to the Association. PMU staffing shall include, but is not limited to, a project director, a financial management specialist, two accountants, a procurement specialist, communication specialist, an environmental safeguards specialist, a social safeguards specialist, a gender development specialist, a monitoring and evaluation specialist, a matching grants specialist, a training management specialist, a water resources specialist, a livestock specialist and an agriculture specialist. The PMU shall be responsible for day to day implementation of the Project, approving the criteria for selection of Beneficiaries under the Matching Grants Program, identifying constraints affecting the execution of Project activities and suggesting measures to overcome them, reviewing audit reports and ensuring adequate financial management of the Project.
3. The Project Implementing Entity shall establish by no later than one (1) month after the Effective Date and maintain throughout the period of Project implementation: (a) a Grievance Redress Mechanism ("GRM") with guidelines and procedures satisfactory to the Association, in order to deter fraud and corruption, maintain standards of integrity and governance, mitigate risks, provide Project staff with practical suggestions and feedback that allow them to be more accountable, transparent, and responsive to beneficiaries, assess the effectiveness of internal organizational processes, and increase stakeholder involvement in the Project; and (b) a GRC with composition and terms of reference satisfactory to the

Association, which shall be responsible for considering complaints under the Grievance Redress Mechanism.

4. (a) The Project Implementing Entity shall establish by no later than one (1) month after the Effective Date and maintain throughout the period of Project implementation, a Project Implementation Unit in the Nari river basin and a Project Implementation Unit in the Porali river basin, each with composition and terms of reference satisfactory to the Association.

(b) Without limitation to the provisions of sub-paragraph (a) immediately above, the Project Implementation Units shall be responsible for, *inter alia*, collaboration with the communities, community organizations and the farmer organizations, and for assisting in implementation of the Project.

(c) Without limitation to the provisions of sub-paragraph (a) immediately above, the Project Implementation Units shall at all times be under the direction of qualified executive engineers provided with sufficient resources and staffed with competent personnel in adequate numbers, in each case with qualifications, experience and under terms of reference acceptable to the Association
5. (a) The Project Implementing Entity shall carry out the Project in accordance with the Financial Management Manual including adequate internal audit arrangements for the Project as further detailed in the Financial Management Manual; (b) without limitation upon the provisions of sub-paragraph (a) of this paragraph and Section II.C below, provide for the appointment, within three months of the Effective Date, pursuant to procedures provided for in Section III of Schedule 2 to the Financing Agreement, and shall maintain, throughout the period of Project implementation, a chartered financial accounting firm to undertake periodic internal audits of the Project, with qualifications and terms of reference satisfactory to the Association; and (c) except as the Association shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the Financial Management Manual, whether in whole or in part.
6. The Project Implementing Entity shall ensure that:
 - (a) staff and consultants of the PMU are at all times selected or recruited on the basis of terms of reference, qualifications and experience satisfactory to the Association;
 - (b) full financial and administrative authority for the Project is delegated to the Project Director;
 - (c) the Project Director is working full time as Project Director for the Project; and

- (d) the annual work plans and budgets referred to in Section D below (the "Annual Work Plans and Budgets") are submitted to the Association in a timely manner.

- 7. Without limitation to the generality of the provisions of Section 2.01 of this Agreement, Section I.A.3 of this Schedule and Section 4.03 of the General Conditions, before deciding to replace any key management, fiduciary or technical staff member or consultant of the PMU, including without limitation the project director, the financial management specialist, two accountants, the procurement specialist, the communication specialist, the environmental safeguards specialist, the social safeguards specialist, the gender development specialist, the monitoring and evaluation specialist, the matching grants specialist, the training management specialist, the water resources specialist, the livestock specialist, and the agriculture specialist, the Project Implementing Entity shall exchange views with the Association and the Recipient on: (a) the performance of such staff member; (b) the justification for such replacement; (c) the potential adverse impact of such replacement on the satisfactory implementation of the Project and the achievement of its objective, and (d) proposed mitigation measures of such impact on the Project.

B. Operations Manual

- 1. Not later than one (1) month after the Effective Date, the Project Implementing Entity shall:
 - (a) prepare and adopt an Operations Manual, satisfactory to the Association;
 - (b) ensure that the Project is carried out in accordance with the Operations Manual; and
 - (c) except as the Association shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the Operations Manual, whether in whole or in part.
- 2. In the event of a conflict between the provisions of the Operations Manual and those of this Agreement or the Financing Agreement, the latter two shall govern.

C. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Annual Work Plans and Budgets

The Project Implementing Entity shall:

- (a) throughout Project implementation, furnish to the Association for approval and to the Recipient as soon as available, but in any case not later than January 31 of each year, the annual work plan and budget for the Project for each subsequent fiscal year, of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the Project for the first fiscal year, which shall be furnished not later than one (1) month after the Effective Date; and
- (b) not later than three (3) months after furnishing the annual work plan and budget referred to in the preceding paragraph to the Association, finalize and adopt, and thereafter ensure that the Project is carried out in accordance with, such plan and budget as agreed with the Association.

E. Safeguards

1. The Project Implementing Entity shall:

- (a) carry out the Project in accordance with the provisions of the Safeguards Instruments; and
- (b) not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, any provision of the Safeguards Instruments, whether in whole or in part, except as otherwise agreed with the Association in writing.

2. (a) Not later than twelve (12) months after the Effective Date, and prior to the commencement of civil works, the Project Implementing Entity shall prepare a Cultural Heritage Management Plan satisfactory to the Association, and to hold consultations on and disclose the Cultural Heritage Management Plan all in accordance with the Environmental Assessment; (b) thereafter, the Implementing Entity shall prepare Cultural Heritage Plans, as required under the Environmental Assessment, prior to the commencement of civil works in the Project scheme area in which the civil works will be carried out; and (c) the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, any provision of the Cultural Heritage Management Plans, whether in whole or in part, except as otherwise agreed with the Association in writing.

3. The Project Implement Entity shall:

- (a) prepare, prior to commencement of civil works, including civil works under the Matching Grants Program, Site-specific EMPs and Scheme-specific SIAMPs,

satisfactory to the Association, and in accordance with the terms of reference in the EA and SIAMP, respectively;

(b) implement the Site-specific EMPs and Scheme-specific SIAMPs; and

(c) not amend, suspend or abrogate any of the provisions of the Site-specific EMPs or Scheme-specific SIAMPs without the prior agreement of the Association.

4. The Project Implement Entity shall:

(a) prepare, prior to the commencement of any construction works requiring Involuntary Resettlement under the Project, Resettlement Action Plans (RAPs), satisfactory to the Association, in accordance with the RPF;

(b) implement the RAPs, including, unless otherwise agreed with the Association, payment in full of compensation to all affected people prior to commencing of any related works; and

(c) not amend, suspend or abrogate any of the provisions of the RAPs without the prior agreement of the Association.

5. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and submit to the Association, on a semi-annual basis, reports on the status of compliance with the Safeguard Instruments, giving details of: (a) measures taken in furtherance of the Safeguard Instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Instruments; and (c) remedial measures taken or required to be taken to address such conditions.

6. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement or the Financing Agreement, the latter two shall govern.

7. The Project Implementing Entity shall ensure that the activities under the Project do not involve, or result in, any Involuntary Resettlement. In the event that any private land is required for the Project, the Project Implementing Entity, in consultation with the Recipient and the Association, shall ensure that such land be obtained on a willing-buyer-willing-seller basis and on replacement cost, or as a voluntary donation or bequest, in each case in conformity with the requirements of the SIAMP.

8. The Project Implementing Entity shall ensure that each contract for civil works under the Project includes the obligation of the relevant contractor to comply with the relevant Safeguards Instruments applicable to such civil works commissioned/awarded pursuant to said contract.

9. The Project Implementing Entity shall ensure that the following Project expenditures are financed exclusively out of the Project Implementing Entity's own resources, and, to this end, shall provide, as promptly as needed, the resources required therefor, namely:
 - (a) all land acquisition required for the purpose of the Project;
 - (b) any compensation, resettlement and rehabilitation payments to Displaced Persons in accordance with the provision of the RAP(s); and
 - (c) from Project Year four (4) the full costs of operation and maintenance of all hydromet systems installed or rehabilitated under the Project.

10. The Project Implementing Entity shall ensure that:
 - (a) all terms of references for the purposes of research or a study to be carried out under the Project are consistent with, and pay due attention to, the Association's environmental and social safeguards policies, as well as the Recipient's own laws relating to the environment and social aspects; and
 - (b) in drafting any regulations, guidelines or corporate procedures and carrying out capacity building activities under the Project, due attention is given to said policies and laws.

11. Without limitation upon its other reporting obligations under Section II.A.1 of this Schedule, the Project Implementing Entity shall take all measures necessary to regularly collect and compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, providing details of:
 - (a) measures taken in furtherance of the Safeguards Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and
 - (c) remedial measures taken or required to be taken to address such conditions.

12. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement or the Financing Agreement, the latter two shall govern.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in the Operations Manual. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later than one (1) month after the end of the period covered by such report for incorporation in and forwarding by the Recipient to the Association of the overall Project Report.
2. The Project Implementing Entity shall provide to the Recipient not later than six (6) months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Project In-Depth and Midterm Reviews

The Project Implementing Entity shall:

- (a) participate in the reviews referred to in Section II.B of Schedule 2 to the Financing Agreement;
- (b) to this end, prepare and furnish to the Recipient and the Association, not later than one (1) month before such review, a report, in scope and detail satisfactory to the Association and integrating the results of the monitoring and evaluation activities performed pursuant to Part A.1 of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and
- (c) review jointly with the Recipient and the Association the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Recipient's and the Association's views on the matter.

C. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied

accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources, and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to in paragraph 1 of this Part C audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.