

Mr. Noor Ahmed
Secretary
Economic Affairs Division
Government of Pakistan
Islamabad

**Re: KP/FATA/Balochistan Multi Donor Trust Fund Grant Agreement
(Governance and Policy Project for Federally Administered Tribal Areas)
TF0A3301-PK**

Amendment to the Grant Agreement

Dear Mr. Ahmed:

We refer to: (a) the Grant Agreement (the “Grant Agreement”) dated January 18, 2017, between the Islamic Republic of Pakistan (the “Recipient”) and the International Bank for Reconstruction and Development/International Development Association acting as Administrator of the KP/FATA/Balochistan Multi-Donor Trust Fund (“World Bank”); (b) the Project Agreement (the “Project Agreement”) of the same date between the World Bank and the Federally Administered Tribal Areas (the “Project Implementing Entity”); and (c) the letter from the Recipient and the Project Implementing Entity of the same date regarding the Performance Monitoring Indicators, all for the Governance and Policy Project for Federally Administered Tribal Areas (the “Project”).

We also refer to: (a) the letter dated January 10, 2019 from the Economic Affairs Division, requesting the restructuring of the Project, including partial cancellation of the Grant amount and the change of the Project Implementing Entity from Federally Administered Tribal Areas to the Province of Khyber Pakhtunkhwa, pursuant to the Constitution (Twenty-fifth Amendment) Act, 2018 passed by the Parliament of Pakistan and the Khyber Pakhtunkhwa Assembly in May 2018, whereby Pakistan has merged the Federally Administered Tribal Areas (FATA) into the Province of Khyber Pakhtunkhwa; and (b) the letter of the Program Officer, Planning and Development Department approving the partial cancellation of the Grant amount.

We are pleased to inform you that, after due consideration, the World Bank concurs with the request, and hereby proposes to amend the Grant Agreement as set out below. The Project Agreement will be amended by a separate legal document to be entered into between the World Bank and the Project Implementing Entity.

1. Section 2.01 of the Grant Agreement is amended to read as follows:

“2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall cause the Province of Khyber Pakhtunkhwa (“Project Implementing Entity”) to carry out the Project in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project

- Implementing Entity, as such agreement may be amended from time to time (“Project Agreement”).”
2. Section 3.01 of the Grant Agreement is amended to read as follows:

“3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount not to exceed five million United States Dollars (\$5,000,000) (“Grant”) to assist in financing the Project.”
 3. The objective of the Project in Schedule 1 of the Grant Agreement is amended to read as follows:

“The objective of the Project is to strengthen the capacity of staff in the Merged Areas to manage public resources, and improved accountability in the delivery of public services.”
 4. The Project Description in Schedule 1 of the Grant Agreement is deleted in its entirety and replaced with the following:

“Component 1: Strengthening Capacity for Management of Public Resources

Provision of operational and technical assistance for: (a) strengthening the capacity for public financial management (PFM) in the Merged Areas; (b) extending the national financial management information system (NFMIS) to the Merged Areas; (c) establishing an internal audit function in the Merged Areas; (d) training financial officers, including drawing and disbursement officers, on accurate and timely budget preparation and reporting; (e) strengthening the capacity of procurement officials in the Merged Areas; and (f) developing and rolling out of PFM training modules in collaboration with the Province of Balochistan and the ACCA.

Component 2: Improving Public Investment Management and Service Delivery

Provision of operational and technical assistance for: (a) assessing development needs and geo-tagging of infrastructure assets in the Merged Areas to provide a baseline for further interventions following the merger of FATA into the larger KP; (b) training of officials in the Merged Areas in sectoral planning; (c) training and staff development for PFM; (d) training in Project management and monitoring and evaluation; (e) enhancing citizen engagement through the establishment of the right to services and right to information cells in the Merged Areas and improving grievance redressal; (f) geotagging of public assets in the Merged Areas; (g) conducting a human resource audit; and (h) conducting gender mainstreaming.

Component 3: Ensuring Effective Support for the Coordination of Governance Reforms and the Operational Management of the Project

Implementation support for the Project: Provision of technical and operational support for the Operations Support Unit (“OSU”) for procurement and contract management, financial management, internal audit, monitoring and evaluation, Project communications, gender

- mainstreaming, learning activities, governance reforms , and ICT support for Project interventions.”
5. The withdrawal table in Section IV, paragraph A.2 of Schedule 2 of the Grant Agreement is amended as set forth in Attachment 1 to this amendment letter.
 6. The Appendix to the Grant Agreement is amended as set forth in Attachment 2 to this amendment letter.
 7. The indicators referred to in Section II.A.1 of Schedule 2 of the Grant Agreement and set forth in the letter dated January 18, 2017 regarding the Performance Monitoring Indicators are amended as set out in Attachment 3 to this amendment letter.

Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the corresponding form of confirmation set forth below and returning one fully countersigned original of this amendment letter to the World Bank.

The above amendments to the Grant Agreement shall become effective upon receipt by the World Bank of: (1) the duly countersigned copy of this amendment letter; and (2) the fully signed copy of the amended and restated Project Agreement between the World Bank and the Project Implementing Entity.

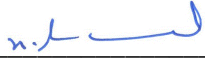
Very truly yours,



Patchamuthu Illangovan
Country Director for Pakistan
South Asia Region

AGREED:

Islamic Republic of Pakistan

By: 

Name: Noor Ahmed

Title: Secretary

Date: 30-Aug-2019

cc:

Government of Pakistan

Mr. Zulfiqar Haider, Additional Secretary, Economic Affairs Division

Mr. Adil Akbar Khan, Joint Secretary, Economic Affairs Division

Mr. Azam Khan, Deputy Secretary, Economic Affairs Division

Government of Khyber Pakhtunkhwa

Mr. Shahzad Khan Bangash, Additional Chief Secretary, Planning and Development

Mr. Shakeel Qadir Khan, Secretary, Finance Department

Mr. Safeer Ahmed, Additional Finance Secretary, Finance Department

Mr. Atif ur Rehman, Secretary Planning and Development Department

Mr. Khalid Ilyas, Secretary, Planning and Development Department, Merged Areas

Mr. Nisar Ahmed, Chief Economist, Planning and Development Department

Attachment 1

Revised Withdrawal Table
Section IV.A.2 of Schedule 2 of the Grant Agreement

“Category	Amount of Grant Allocated (expressed in USD)	Percentage of Expenditures to Be Financed (inclusive of Taxes)
(1) Goods, Non-Consulting Services, Consultants’ Services, Incremental Operating Costs, Training and Workshops under Component 1 of the Project	44,456.21	100%
(2) Goods, Non-Consulting Services, Consultants’ Services, Incremental Operating Costs, Training and Workshops under Component 2 of the Project	56,037	100%
(3) Goods, Non-Consulting Services, Consultants’ Services, Incremental Operating Costs, Training and Workshops under Component 3 of the Project	586,805	100%
(4) Goods, Non-Consulting Services, Consultants’ Services, Incremental Operating Costs, Training and Workshops under the Project	4,312,701.79	100%
(5) Cancelled as of June 28, 2019	9,000,000	
TOTAL AMOUNT	14,000,000	

Attachment 2**APPENDIX****Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011 (revised July 2014).
4. “Donors” means collectively all donors that have contributed funds to the KP/FATA/Balochistan Multi-Donor Trust Fund at any time during the lifespan of this trust fund, as communicated to the Recipient and the Project Implementing Entity by the World Bank.
5. “FATA” means the Recipient’s former Federally Administered Tribal Areas.
6. “Financial Management Manual” or “FMM” means the Project Implementing Entity’s manual, developed for the Governance Support Project, but to be updated and adopted by the PSC, pursuant to Section II B1 of the Schedule to the Project Agreement, satisfactory to the World Bank.
7. “GIS” means Geographic Information System.
8. “Governance Support Project” means the Governance Support Project for KP and FATA financed by the World Bank under a grant agreement entered into between the Recipient and the World Bank on October 11, 2011.
9. “ICT” means information communications technology.
10. “Incremental Operating Costs” means the reasonable costs incurred under the Project for office rental, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance expenditures of office equipment and vehicles, bank charges, insurance, advertising, media projections, newspaper subscriptions, periodicals, printing and stationary costs, which expenditures would not have been incurred in the absence of the Project.
11. “Merged Areas” means the Tribal Districts of Khyber Pakhtunkhwa.
12. “Multi-Donor Trust Fund” or the acronym “MDTF” mean the multi-donor trust fund, approved by the Board of Executive Directors of the World Bank on January 15, 2010, administered by the World Bank, whose objective is to support the implementation of a

- program of reconstruction and development aimed at facilitating the recovery of affected regions in KP, FATA and Balochistan from the impact of the armed conflict, and reducing the potential for escalation or resumption, or any successor thereto.
13. “National Financial Management Information System” or “National FMIS” means the Recipient’s national financial management system for public financial management.
 14. “Operations Support Unit” or “OSU” means the unit established for the purposes set forth in Section I.A.1(b) of the Schedule to the Project Agreement.
 15. “Planning and Development Department” or “P&DD” means the Project Implementing Entity’s Planning and Development Department.
 16. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011 (revised July 2014).
 17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 2, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
 18. “Project Implementing Entity” means the Recipient’s Province of Khyber Pakhtunkhwa, which replaced the former Project implementing entity, namely Federally Administered Tribal Areas, pursuant to the Constitution (Twenty-fifth Amendment) Act, 2018 passed by the Parliament of Pakistan and the Khyber Pakhtunkhwa Assembly in May 2018, whereby Pakistan has merged the Federally Administered Tribal Areas (FATA) into the Province of Khyber Pakhtunkhwa.
 19. “Project Operations Manual” means the Project Implementing Entity’s manual to be prepared satisfactory to the World Bank pursuant to Section 4.01 (b) of this Agreement, setting forth the institutional arrangements for implementation of the Project including: (a) simplified procurement reporting arrangements, record keeping protocols and complaints redress mechanisms consistent with the Consultants’ Guidelines and Procurement Guidelines; and (b) financial management procedures and protocols for the carrying out of internal audits, the preparation of financial statements, and withdrawal and accounting of Grant funds and settlement of payments..
 20. “Project Steering Committee” or “PSC” means the Project Steering Committee referred to in Section I.A.1(a) of the Schedule to the Project Agreement.
 21. “Standard Conditions” means “Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
 22. “Training and Workshops” means the reasonable costs of trainings, workshops and conferences conducted in and outside of the territory of the Recipient, including the purchase and publications of material, rental of facilities for conducting training and workshops, facilitators fees, course fees and travel and subsistence allowances for trainers and/or trainees.

23. “Tribal Districts of Khyber Pakhtunkhwa” means the districts of Kurram, Khyber, Orakzai, North Waziristan, South Waziristan, Mohmand and Bajaur in the Recipient’s Province of Khyber Pakhtunkhwa.

Attachment 3

Revised Results Framework
Referred to in Section II.A.1 of Schedule 2 of the Grant Agreement and Letter re Performance Monitoring Indicators

1. Outcome (PDO) Level Indicators - Details

	Indicator name	Unit of measure	Baseline	Target values		Frequency	Data source/ methodology	
				2019/20	2020/21			
1	Staff from Merged Areas reporting improvements in on-job performance after participating in training	Percent	0	70%	75%	Quarterly	OSU	Post Training Survey
2	Public assets in the Merged Areas that are geotagged	Percent	0	20%	75%	Quarterly	GIS Hub, P&D Department, OSU	Progress Report
3	Complaints from citizens of Merged Areas registered as non-compliant with stipulated timelines for services under the RTS Act	Percent	0	15%	10%	Quarterly	RTPS Commission, OSU	Progress Report

2. Output (Component) Level Indicators - Details

	Indicator name	Unit of measure	Baseline	Target values		Frequency	Data source/ methodology	
				2019/20	2020/21			
4	Internal Audits Conducted		0	5	10	Quarterly		
5	Provincial Government employees in Merged Areas who completed Project Management training	Number	0	40	75	Quarterly	OSU	Training/ Progress Report

6	Provincial Government employees in Merged Areas who completed Planning training	<i>Number</i>	0	25	50	Quarterly	OSU	Training/ Progress Report
7	Provincial Government employees in Merged Areas who completed Procurement training	<i>Number</i>	0	30	60	Quarterly	OSU	Training/ Progress Report
8	Provincial Government employees in Merged Areas who completed, at least, the certificate level of the PFM accreditation program.	<i>Number</i>	0	30	60	Quarterly	OSU	Training/ Progress Report
	<i>of which are female</i>	<i>Percentage</i>	0	30	30	Quarterly	OSU	Training Report
9	Provincial Government employees in Merged Areas who completed Monitoring and Evaluation training	<i>Number</i>	0	40	75	Quarterly	OSU	Training/ Progress Report
	<i>of which are female</i>	<i>Percentage</i>	0	30	30	Quarterly	OSU	Training Report
10	Districts in Merged Areas where Integration of geotagged data into GIS Decision Support System completed	<i>Number</i>	0	2	5	Quarterly	GIS Hub, P&D Department. OSU	Progress Report
11	Districts in Merged Areas submitting Quarterly Budget Execution Reports to FD, within 45 days of end of quarter	<i>Number</i>	0	3	5	Quarterly	Finance Department, MAs. OSU	Progress Report
12	Citizens reporting satisfaction with notified services under the RTS Act	<i>Percentage</i>	0	50%	75%	Quarterly	RTPS Commission. OSU	Citizen Satisfaction Surveys
13	Citizens registered in IGRS to give feedback on government services	<i>Number (Cumulative)</i>	0	500	1000	Quarterly	RTPS Commission. OSU	IGRS Database

14	Provincial Government employees from Merged Areas who have participated in gender awareness sessions	<i>Number (Cumulative)</i>	0	25	100	Quarterly	OSU	Training/ Progress Report
15	Progress Report no later than 45 days after end of reporting period	<i>Yes/No</i>	No	No	Yes	Quarterly	OSU	Progress Report