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**CREDIT NUMBER 6270-PK**

# **Project Agreement**

**(Khyber Pass Economic Corridor Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**KHYBER PAKHTUNKHWA**

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## **PROJECT AGREEMENT**

AGREEMENT between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and KHYBER PAKHTUNKHWA (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of December 13, 2019 between the ISLAMIC REPUBLIC OF PAKISTAN (“Recipient) and the Association, concerning Credit No. 6270-PK. 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) apply to and form 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.
- 1.03. Capitalized terms in *italics* refer to names of places in the Recipient’s territory.

### **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 its Respective Part of the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

### **ARTICLE III — TERMINATION**

- 3.01. For purposes of Section 10.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the Signature Date.

### **ARTICLE IV — REPRESENTATIVE; ADDRESSES**

- 4.01. The Project Implementing Entity’s Representative is its Additional Chief Secretary, Planning and Development Department.
- 4.02. For purposes of Section 11.01 of the General Conditions: (a) the Association’s address is:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America; and

(b) the Association's Electronic Address is:

Telex:

Facsimile:

E-mail:

248423(MCI)

1-202-477-6391

CMUPakistan @worldbank.org

- 4.03. For purposes of Section 11.01 of the General Conditions: (a) the Project Implementing Entity's address is:

Planning & Development Department  
Civil Secretariat  
Shaibzada Abdul Qayyum Road  
Peshawar, Khyber Pakhtunkhwa  
Pakistan; and

(b) the Project Implementing Entity's Electronic Address is:

Facsimile:

+ 92 - 919211369

AGREED as of the later of the two dates written below.

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**



**Authorized Representative**

**Name:** Patchamuth Illangovan

**Title:** Country Director

**Date:** 11-Jun-2020

**KHYBER PAKHTUNKHWA**

**By**

*Mr. Nauman Afzal Afridi*

**Authorized Representative**

**Name:** Mr. Nauman Afzal Afridi

**Title:** Chief Economist

**Date:** 11-Jun-2020

## **SCHEDULE**

### **Execution of the Project**

#### **Section I. Implementation Arrangements**

##### **A. Institutional and Contractual Arrangements.**

The Project Implementing Entity shall maintain the following arrangement throughout the implementation of the Project:

1. Steering Committee.
  - (a) No later than one (1) month after the Effective Date, the Project Implementing Entity shall establish, and thereafter maintain a steering committee (the “KP Steering Committee”) with terms of reference, composition and resources satisfactory to the Association, to provide overall direction and strategic guidance to its Respective Part of the Project.
  - (b) Without limitation to the generality of the foregoing provisions in paragraph (a) immediately above, the KP Steering Committee shall include senior personnel and representatives from the relevant departments of the Project Implementing Entity and a representative from NHA, and shall be chaired by the Project Implementing Entity’s Additional Chief Secretary, Planning and Development Department.
2. Sustainable Development Unit.
  - (a) The Sustainable Development Unit (“SDU”) under the Planning and Development Department of the Project Implementing Entity shall be responsible for the implementation of its Respective Part of the Project. For that purpose, no later than three (3) months after the Effective Date, the SDU shall establish a Project management team (“PMT”) with terms of reference, composition and resources acceptable to the Association, to provide overall coordination of the activities in the Project Implementing Entity’s Respective Part of the Project, including processing of internal and external authorizations and approvals, procurement and implementation of the civil works, procurement and management of the consultant services and financial management.
  - (b) Without limitation to the provisions of Section I.A.2(a) of this Schedule, the PMT shall maintain personnel (whether staff or consultants) in adequate number, each with terms of reference, qualifications and experience, and each with dedicated time allocated to the Project, at all times satisfactory to the Association, which shall include: a Project Director, a financial management specialist, a procurement specialist, a monitoring and evaluation specialist, a social development/resettlement specialist, an environmental specialist, a contract management specialist and technical specialists as needed. The PMT shall also have a system of internal control acceptable to the Association in place throughout the period of implementation of the Project. The Project Implementing Entity shall ensure that full financial and administrative authority for its Respective Part of the Project is delegated to the Project Director.

**B. Safeguards.**

1. The Project Implementing Entity shall ensure that all terms of reference for any technical assistance or studies carried out under its Respective Part of the Project are consistent with, and pay due attention to, the Association Policies, as well as the Recipient's and KP's laws relating to the environment and social aspects relevant to its Respective Part of the Project.
2. The Project Implementing Entity shall ensure that its Respective Part of the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents. In particular, the Project Implementing Entity shall ensure that:
  - (a) for each activity under its Respective Part of the Project of a type for which the Environmental and Social Management Framework for Part 2 of the Project provides that an Environmental and Social Management Plan for Part 2 of the Project should be prepared, such Environmental and Social Management Plan for Part 2 of the Project, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Environmental and Social Management Framework for Part 2 of the Project, and the relevant activity is implemented in accordance with its Environmental and Social Management Plan for Part 2 of the Project;
  - (b) for each activity under its Respective Part of the Project of a type for which the Resettlement Policy Framework for Part 2 of the Project provides that a Resettlement Action Plan for Part 2 of the Project should be prepared, such Resettlement Action Plan for Part 2 of the Project, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement Policy Framework for Part 2 of the Project, and the relevant activity is implemented in accordance with its Resettlement Action Plan for Part 2 of the Project;
  - (c) prior to commencing any works under its Respective Part of the Project and without limitation to the generality of the foregoing provisions in subparagraph (b) immediately above: (A) all necessary governmental permits and clearances for such civil works shall have been obtained from the competent governmental authority/ies; (B) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and (C) all resettlement measures for the respective civil works set forth in the Resettlement Action Plan for Part 2 of the Project shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the Resettlement Policy Framework for Part 2 of the Project or Resettlement Action Plan for Part 2 of the Project, as the case may be; and
  - (d) all bidding documents and contracts for civil works under its Respective Part of the Project include the obligation of contractors, subcontractors and supervising

entities to: (a) comply with the relevant aspects of the Safeguard Documents; (b) adopt and implement measures to assess and manage the risks and impacts of labor influx and workers' camps; (c) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures on environmental, social, health and safety, gender-based violence and violence against children; all as applicable to such civil works commissioned or carried out pursuant to said contracts.

3. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Project Implementing Entity shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any entity participating in the implementation of its Respective Part of the Project to do so.
4. 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 quarterly basis and promptly in a separate report whenever requested by the Association or the circumstances warrant, reports on the status of compliance with the Safeguard Documents, giving details of: (a) measures taken in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.
5. The Project Implementing Entity shall maintain and operate throughout the period of implementation of its Respective Part of the Project, a grievance redress mechanism for the handling of any stakeholder complaints arising out of the implementation of its Respective Part of the Project activities in form and substance satisfactory to the Association and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.
6. The Project Implementing Entity shall maintain, throughout the period of implementation of its Respective Part of the Project, a social and resettlement management unit in the PMT and a resettlement unit at field level to support the PMT in the implementation of its obligations under this Part of Section I of this Schedule.
7. No later than twelve (12) months after the Effective Date the Project Implementing Entity shall contract the services of an independent monitoring consultant, on the basis of terms of reference, qualifications and experience satisfactory to the Association, for the purpose of, among other things, periodically monitor Project activities and compliance with the Safeguard Documents.
8. If any provision of the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

**C. Project Operations Manual**

1. No later than one (1) month after the Effective Date, the Project Implementing Entity prepare and adopt the Project Operations Manual for Part 2 of the Project, and ensure that it will be at all time -at adoption and during Project implementation- in form and substance acceptable to the Association.
2. The KP Project Operations Manual shall set forth:

- (a) (i) the process for the selection and sequencing of Project activities under Part 2 of the Project and their implementation (with prospective timetable); and (ii) the detailed institutional arrangements in respect thereto, including allocation of responsibilities, required staff and minimum qualifications thereof;
  - (b) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of funds) procedures for KP's Respective Part of the Project, which procedures shall be consistent with those included or referred to in this Agreement;
  - (c) (i) the procedural steps for the updating of the Procurement Plan; and (ii) an outline of the mechanism for the settlement of procurement complaints and the disclosure of critical procurement information (website maintenance);
  - (d) the guidelines for training and capacity building activities under the Project; and
  - (e) the plan for monitoring and supervision of KP's Respective Part of the Project activities, including all technical, environmental and social aspects in relation thereto.
3. (a) The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the KP Project Operations Manual.
  - (b) The Project Implementing Entity shall not assign, amend, abrogate, or waive the KP Project Operations Manual, or any provision thereof in a manner which, in the views of the Association, may adversely impact the implementation of its Respective Part of the Project or the achievement of its objectives.
4. In the event of any conflict between the provisions of the KP Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

**E. Annual Work Plans and Budgets**

1. Each year, the Project Implementing Entity shall prepare, or cause to be prepared,
  - (a) a draft annual work plan (listing eligible activities to be implemented during the relevant year, including Training and Incremental Operating Costs) and budget (with a financial plan specifying all sources of financing including the Financing and any other resources provided by the Recipient or the Project Implementing Entity, and cash flow and disbursement projections) for its Respective Part of the Project for each year of Project implementation, of such scope and detail as the Association shall have reasonably requested; and
  - (b) the evidence, in form and substance satisfactory to the Association, that all Safeguard Documents required prior to the implementation of the activities, if any, included in the draft annual work plan and budget have been prepared or are in the process of being prepared in a manner which ensures that they will be available in form and substance acceptable to the Association and prepared and disclosed in accordance with the Association Policies (including time-wise).
2. The Project Implementing Entity shall furnish to the Association, as soon as available, but in any case not later than October 15<sup>th</sup> of each year, a draft annual work plan and budget for the subsequent year for the Association's agreement, prior to its finalization by the Project Implementing Entity; except for the draft annual work plan and budget for the



Project for the first year of Project implementation which shall be furnished to the Association no later than three (3) months after the Effective Date.

3. The Project Implementing Entity shall ensure that, once the draft annual work plan and budget will be acceptable to and will have been approved by the Association (an “Annual Work Plan and Budget”), its Respective Part of the Project is carried out in accordance with each successive Annual Work Plan and Budget.
4. Only activities included in an Annual Work Plan and Budget will be eligible to be included in the Project unless otherwise expressly agreed by the Association. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association’s prior approval.
5. Training shall be carried out based on Annual Work Plans and Budgets, which shall, *inter alia*, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports.**

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, 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 and forwarding by the Recipient to the Association of the overall Project Report.
2. The Project Implementing Entity shall carry out jointly with the Association and the Recipient, not later than thirty-six (36) months after the Effective Date, or such other period as may be agreed with the Association, a mid-term review of the Project to assess the status of its implementation, and compliance with the legal covenants included or referred to in this Agreement. To this end the Project Implementing Entity shall:
  - (a) prepare and furnish to the Association, at least 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, on the progress achieved in the carrying out of its Respective Part 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 its Respective Part of the Project and the achievement of the objectives of the Project during the period following such date; and
  - (b) review jointly with the Association the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of its Respective Part of the Project and the achievement of the objectives of the Project, based on the conclusions and recommendations of such report and the Association’s views on the matter.

3. The Project Implementing Entity shall provide to the Recipient not later than five (5) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

**Section III. Procurement**

All goods, works and services required for KP's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section 5.13 of the General Conditions.