

CONFORMED COPY

CREDIT NUMBER 3516 PAK

Project Agreement

(NWFP On-Farm Water Management Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NORTH WEST FRONTIER PROVINCE
FEDERALLY ADMINISTERED TRIBAL AREAS
DEVELOPMENT CORPORATION

Dated August 28, 2001

CREDIT NUMBER 3516 PAK

PROJECT AGREEMENT

AGREEMENT, dated August 28, 2001, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), NORTH WEST FRONTIER PROVINCE acting by its Governor (NWFP) and FEDERALLY ADMINISTERED TRIBAL AREAS DEVELOPMENT CORPORATION (FATADC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Islamic Republic of Pakistan (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to sixteen million six hundred thousand Special Drawing Rights (SDR 169,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that NWFP and FATADC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) the proceeds of the credit provided for under the Development Credit Agreement will be made available to NWFP and FATADC in accordance with the Borrower's standard budgetary procedures; and

WHEREAS NWFP and FATADC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined in the Development Credit Agreement) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) NWFP and FATADC declare their commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out their activities under the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and irrigation practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for their activities under the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association, NWFP and FATADC shall otherwise agree, NWFP and FATADC shall carry out their activities under the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. 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 1 to this Agreement.

Section 2.03. (a) NWFP and FATADC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions applicable to the Development Credit Agreement (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and the activities to be carried out by NWFP and FATADC under the Project.

Section 2.04. (a) NWFP and FATADC shall, at the request of the Association, exchange views with the Association with regard to the progress of their activities under the Project, the performance of their obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) NWFP and FATADC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of their activities under the Project, the accomplishment of the purposes of the Credit, or the performance by NWFP and FATADC of their obligations under this Agreement.

Section 2.05. For the purposes of Section 9.07 of the General Conditions applicable to the Development Credit Agreement and without limitation thereto, NWFP and FATADC shall:

(a) prepare on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association, NWFP and FATADC, a plan satisfactory to the Association for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with NWFP and FATADC on such plan.

ARTICLE III

Financial Covenants

Section 3.01. (a) NWFP and FATADC shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect the operations, resources and expenditures related to the Project.

(b) NWFP and FATADC shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, NWFP and FATADC shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 3.01 in order to enable NWFP and FATADC, not later than September 30, 2002, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the six-month period following the period covered by said report.

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, NWFP and FATADC shall each prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association, NWFP and FATADC thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a)(ii) of this Section, the Association shall promptly notify NWFP and FATADC of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions applicable to the Development Credit Agreement.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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:

248423 (MCI)
64145 (MCI)

For NWFP:

The Additional Chief Secretary
Planning, Environment and Development Department
Government of North West Frontier Province
Peshawar, Pakistan

Cable address:

DEVELOPMENT
Peshawar, Pakistan

Telex:

952-52371

For FATADC:

The Managing Director
Federally Administered Tribal
Areas Development Corporation
2-Warsak Road
Peshawar, Pakistan

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NWFP and FATADC, or by NWFP and FATADC on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the following persons such other person or persons as they shall designate in writing, and they shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person:

(a) the Additional Chief Secretary, Planning, Environment and Development Department, NWFP, with respect to NWFP's activities under the Project; and

(b) the Managing Director, FATADC, with respect to FATADC's activities under the Project.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Islamabad, Pakistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Abid Hasan

Acting Country Director, Pakistan

NORTH WEST FRONTIER PROVINCE

By /s/ Tariq Mahmood

Authorized Representative

FEDERALLY ADMINISTERED TRIBAL AREAS
DEVELOPMENT CORPORATION

By /s/ Mohammad Javed

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines), and (b) the provisions of the following Parts of this Section 1.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of Contracts

To the extent practicable, contracts for goods and works shall be grouped in bid packages to attract international bidders.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(c) Notification and Advertising

The invitation to bid for contracts estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) (i) Civil works required for Parts B.2, B.3 and B.4 of the Project; and (ii) goods, other than vehicles and construction materials, estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed

the equivalent of \$570,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of subparagraph (a) of this paragraph 1.

(i) Grouping of Contracts

To the extent practicable, contracts shall be grouped in bid packages to attract national bidders.

(ii) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:

(aa) invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids;

(bb) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(cc) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;

(dd) bidding shall not be restricted to pre-registered firms;

(ee) qualification criteria shall be stated in the bidding documents;

(ff) bids shall be opened in public, immediately after the deadline for submission of bids;

(gg) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;

(hh) before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained;

(ii) bids shall be solicited and contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates (CSR);

(jj) contracts shall not be awarded on the basis of nationally negotiated rates;

(kk) contracts shall be awarded to the lowest evaluated and qualified bidders; and

(ll) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.

2. National Shopping

Goods, other than vehicles and construction materials, estimated to cost less than the equivalent of \$10,000 per contract, up to an aggregate amount not to exceed \$220,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Community Participation

For purposes of carrying out works for watercourses, water storage tanks and other on-farm improvements:

(a) Labor shall be procured by the respective community organizations managing the works as part of their in-kind contribution towards the capital cost of the works; and

(b) Construction materials may be procured, at the choice of the respective community organizations managing the works, by the community organizations themselves or by the OFWM Directorate under contracts awarded on the basis of national shopping

procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) each contract for vehicles; (ii) each contract for goods (other than vehicles) or civil works estimated to cost the equivalent of \$200,000 or more; and (iii) the first contract for goods (other than vehicles) or civil works proposed to be awarded under the Project in each fiscal year and estimated to cost, in the case of goods (other than vehicles), the equivalent of \$10,000 or more but less than the equivalent of \$200,000, or, in the case of civil works, less than the equivalent of \$200,000, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

2. In paragraph 1.10 of the Consultant's Guidelines, the references to the "Bank member countries" and "member country" shall be deemed to be reference, respectively, to the "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for implementation, supervision, monitoring and evaluation, and accounting and auditing of the Project estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for implementation and supervision of the Project estimated to cost less than \$2100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual

consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. NWFP shall, not later than September 30, 2001, establish, and thereafter maintain, a PPC, with terms of reference, composition, staffing and other resources satisfactory to the Association.

2. NWFP and FATADC shall, not later than December 31, 2001, obtain PPC's approval of an overall framework, satisfactory to the Association, for the selection of schemes including, inter alia, criteria for:

- (a) initial screening and area targeting;
- (b) information dissemination and demand promotion;
- (c) screening and identification of schemes;
- (d) baseline surveys and information system;
- (e) distributary environmental and social assessment;
- (f) mobilization and formation of FOs/FWUAs;
- (g) scheme investment planning and implementation;
- (h) capacity building/strengthening;
- (i) monitoring and evaluation; and
- (j) institutional implementation arrangements.

3. NWFP and FATADC shall, not later than March 31 in each year, furnish to the Association, for its review and concurrence, a draft annual plan of Project activities, including a work program and proposed budget, for the next following Fiscal Year, all as approved by the relevant PPC.

4. NWFP and FATADC shall ensure: (a) that construction works under the Project will be carried out in accordance with design criteria and specifications satisfactory to the Association; and (b) that, in particular, the distributary/minor canals included in the Project will be rehabilitated to achieve sufficient capacity to deliver their full discharge entitlement determined on the basis of their share of the diversions at the head of the main canal command system over the previous ten years.

5. NWFP and FATADC shall ensure that no: (a) distributary/minor canals, water storage tank schemes, minor irrigation schemes, demonstration centers, offices for FOs/FWUAs, canal service roads and any other activities involving land acquisition

shall be included in the Project without prior approval of the Association; and (b) such acquisition shall be carried out on a voluntary basis in accordance with the principles and procedures previously agreed with the Association.

6. NWFP and/or FATADC shall ensure that:

(a) as a condition for obtaining assistance for renovation of a watercourse under Part B.1 (a) of the Project or for improvement of a distributary/minor canal under Part B.2 of the Project:

(i) in a canal commanded area within the pilot AWB areas, the farmers of such area will have: (aa) formed an FO at the distributary/minor canal level; (bb) acting through such FO reached agreement with FIDA for the operation and maintenance (O&M) of the facilities on which the particular Project works are to be carried out; (cc) established that such FO has functioned well and operated and maintained such facilities effectively for a minimum period of one year thereafter; (dd) established that such FO has the technical capacity to participate in the carrying out of the particular Project works; and (ee) acting through such FO reached agreement with FIDA for the carrying out of the particular Project works and for sharing the costs thereof in accordance with the provisions of paragraph 8 of this Schedule;

(ii) in a canal commanded area outside the pilot AWB areas, the farmers of such area will have: (aa) formed an FWUA at the distributary/minor level with the functions, powers and obligations specified for FWUAs in the Annex to this Schedule 2; (bb) acting through such FWUA reached agreement with FIDA or FATADC, as the case may be, for the operation and maintenance (O&M) of the facilities on which the particular Project works are to be carried out; (cc) acting through such FWUA reached agreement with FIDA or FATADC, as the case may be, for the carrying out of the particular Project works and for sharing the costs thereof in accordance with the provisions of paragraph 8 of this Schedule; and

(iii) for a distributary/minor canal, an environmental and social assessment has been made; and

(b) as a condition for obtaining assistance for construction of a water storage tank and associated works under Part B.1(c) of the Project or for carrying out a local/minor irrigation scheme under Part B.4 of the Project in any other area for which an environmental and social assessment has been made, the farmers of such area will have: (i) formed a fully functioning WUA at the level of the particular Project works; (ii) established that such WUA has the technical capacity to participate in the carrying out of the particular Project works; and (iii) acting through such WUA reached agreement with OFWM Directorate or FATADC, as the case may be, for: (aa) sharing the costs of the particular Project works in accordance with the provisions of paragraph 8 of this Schedule; and (bb) for the carrying out of the particular Project works and the operation and maintenance (O&M) of the facilities on which the particular Project works are to be carried out.

7. NWFP and FATADC shall ensure that:

(a) in respect of any works for renovation of watercourses and construction of water storage tanks and associated watercourses carried out under the Project, the farmers concerned will be required to contribute, through their respective WUAs, all of the skilled and unskilled labor, together with at least 25% equivalent in value of the materials required for such works up-front;

(b) in respect of any PLL works carried out under the Project, the farmers concerned will be required to meet 100% of the cost of such works;

(c) in respect of any works carried out under the Project for rehabilitation/improvement of distributary/minor canals located within pilot AWB areas, the farmers concerned will be required to meet up-front, through their FO, at least 10% of the cost of such works;

(d) in respect of any works carried out under the Project for rehabilitation/improvement of distributary/minor canals located outside the pilot AWB

areas, the farmers concerned will be required to pay, through their respective FWUAs, at least 10% of the cost of such works in 10 equal installments payable semiannually over a period of 5 years along with the water charge (abiana) payments;

(e) in respect of any works for carrying out local/minor irrigation schemes under the Project, the farmers concerned will be required to meet up-front, through their respective WUAs/FWUAs, at least 20% of the cost of such works; and

(f) in respect of all works, priority will be given to watercourses, water storage tanks, distributary/minor canals, and local/minor irrigation schemes located in the poorer regions with greater number of small land holdings.

8. NWFP and FATADC shall ensure that representatives of any FO/FWUA participating in the carrying out of any Project works, and in the operation and maintenance (O&M) of the facilities on which such works are to be carried out, will be invited to participate in the procedures for inviting and evaluating bids and awarding contracts for the procurement of civil works and materials for such Project works.

9. NWFP and FATADC shall ensure that: (a) a Financial Manual, satisfactory to the Association, will be developed and adopted by the OFWM Directorate and FATADC, respectively, not later than October 31, 2001; and (b) a computerized Project Accounting and Management Information System, satisfactory to the Association, will be made fully operational by the OFWM Directorate and FATADC, respectively, not later than June 30, 2002.

10. NWFP and FATADC shall ensure that:

(a) procurement documentation and record keeping systems, all satisfactory to the Association, will be developed and adopted by the OFWM Directorate and FATADC, respectively not later than December 31, 2001; and

(b) key procurement staff of the OFWM Directorate and FATADC, respectively will be identified, trained in the Association's procurement procedures and designated as focal points for procurement for the duration of the Project, all not later than December 31, 2001.

11. NWFP and FATADC shall cause surveys to be carried out every six months, to determine the prevailing market prices of construction materials used in the improvement of watercourses and construction of water storage tanks and associated watercourses under the Project.

12. NWFP and FATADC shall:

(a) maintain or cause to be maintained policies and procedures adequate to enable them to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare or cause to be prepared, under terms of reference satisfactory to the Association, and furnish to the Association, by January 31, 2004, reports integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said reports and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by March 31, 2004, or such later date as the Association shall request, the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Association's views on the matter.

Annex to SCHEDULE 2

Powers and Functions of Federations of Water Users Associations

FWUAs shall actively participate, along with NWFP Provincial Irrigation Department (PID)/NWFP Irrigation and Drainage Authority (FIDA) or FATADC, as the case may be, in the improvement, operation and maintenance of distributaries/minor canals located within their jurisdictions, and to that end, shall be:

(a) authorized, inter alia, to:

(i) make recommendations and requests to PID/FIDA or FATADC, as the case may be, with regard to such matters as: (aa) the distribution of water into a distributary/minor canal on a demand or fixed delivery basis; and (bb) the construction of facilities including bridges, regulators, drop structures, and new minor canals on a cost-sharing or other basis;

(ii) enter into contracts with PID/FIDA or FATADC, as the case may be, for the supply of canal water on a flat rate basis at the outlet level, or on a volumetric rate basis at the distributary/minor canal level, as provided in the relevant canal rules, or any other basis acceptable to the Association, instead of the crop rate basis commonly used for this purpose, and for collecting and paying water charges at the agreed rate;

(iii) represent their members on issues and problems relating to a distributary/minor canal or more than one distributary or the whole canal; and

(iv) generally represent their members in various forums, particularly government departments including PID/FIDA, FATADC and NWFP Agriculture Department, and serve as a channel of communication between such members and such departments; and

(b) obligated, inter alia, to:

(i) obtain the approval of their members before committing or undertaking or participating in any major capital expenditures or improvements;

(ii) obtain the approval of the relevant canal officers before undertaking or participating in any improvement schemes, and carry out such schemes under the supervision of such officers;

(iii) maintain financial records and minutes of meetings; and

(iv) adopt by-laws and rules of operation.

