

CONFORMED COPY

CREDIT NUMBER 2992 PAK

Project Agreement

(Northern Education Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AZAD JAMMU AND KASHMIR

Dated November 5, 1997

CREDIT NUMBER 2992 PAK

PROJECT AGREEMENT

AGREEMENT, dated November 5, 1997, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and AZAD JAMMU AND KASHMIR, acting by its President (AJK).

WHEREAS by the Development Credit Agreement of even date herewith between the 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 four hundred thousand Special Drawing Rights (SDR 16,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that AJK agree to undertake such obligations toward the Association as are set forth in this Agreement;

WHEREAS AJK, 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, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) AJK declares its 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 its activities under the Project through its Department of Education, and, if it so decides, with the participation of NRSP and/or any other PNGO acceptable to the Association, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and educational practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its activities under the Project.

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

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for AJK's activities under the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. (a) AJK 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 (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.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation upon the provisions of paragraph (a) of this Section, AJK shall:

(i) 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 and AJK, a plan for the future operation of the Project in the territory of AJK; and

(ii) afford the Association a reasonable opportunity to exchange views with AJK on said plan.

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

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

ARTICLE III

Financial Covenants

Section 3.01. (a) AJK shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of its activities under the Project, of the departments or agencies of AJK, including NRSP and/or any other PNGO, if participating in the Project, responsible for carrying out such activities.

(b) AJK shall:

(i) have its records and accounts referred to in paragraph (a) above for each fiscal year audited, in accordance with appropriate auditing principles 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, the report of such audit by said auditors, of such such detail as the Association shall have scope and in reasonably requested; and

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

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 and of AJK 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 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 AJK 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.

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 radiogram 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:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

For AJK:

Additional Chief Secretary
Planning and Development Department
Government of Azad Jammu and Kashmir
Muzaffarabad

Azad Jammu and Kashmir
Islamic Republic of 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 AJK may be taken or executed by the Additional Chief Secretary, Planning and Development Department or such other person or persons as AJK shall designate in writing, and AJK shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

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 the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Robert Drysdale

Acting Regional Vice President
South Asia

AZAD JAMMU AND KASHMIR

By /s/ Agha Ghazanfar

Authorized Representative

SCHEDULE

Implementation Program

1. AJK shall:

(a) not later than March 15 of each Fiscal Year during the implementation of the Project or such later date as the Association may agree, furnish to the Association for its assessment and review: (i) without limitation upon the provisions of Article IX of the General Conditions and in form and substance satisfactory to the Association, a progress report on the carrying out of its activities under the Project and its Subprograms for the current Fiscal Year; and (ii) each proposed Subprogram to be carried out in AJK in the next following Fiscal Year, including the amounts to be allocated out of the proceeds of the Credit for such Subprogram;

(b) not later than June 15 of each Fiscal Year during the implementation of the Project or such later date as the Association may agree, and provided the Association is satisfied with the progress made in the carrying out of AJK's activities under the Project and its Subprograms for the current Fiscal Year, furnish to the Association for its approval each proposed Subprogram to be carried out in AJK in the next following Fiscal Year modified in a manner satisfactory to the Association, taking into account its comments and views on the matter;

(c) carry out or cause to be carried out each such Subprogram in accordance with modalities and procedures as approved by, and in a manner satisfactory to, the Association; and

(d) not make any material changes to such Subprogram without the prior

approval of the Association.

2. AJK shall ensure that sufficient funds will be released to its DOE, not later than the fifteenth day of the beginning of each quarter, for the purposes of implementing such part of each approved Subprogram as is to be carried out in AJK in that quarter.

3. AJK shall ensure that its Program Steering Committee will meet at least twice a year, and its Project Implementation Committee will meet at least once a month.

4. AJK shall ensure that its DOE will at all times during the implementation of the Project be fully staffed in accordance with a policy on staff postings and transfers satisfactory to the Association.

5. AJK shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of its activities under the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2000, a report 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 its activities under the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of such activities and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by May 30, 2000, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of its activities under the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

