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**CREDIT NUMBER 3834-3 - PAK**  
**CREDIT NUMBER 3834-4 - PAK**

# **Financing Agreement**

**(Additional Financing for the Second Poverty Alleviation Fund Project  
to support Participatory Development through Social Mobilization)**

**between**

**ISLAMIC REPUBLIC OF PAKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated December 7, 2007**

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## **FINANCING AGREEMENT**

AGREEMENT dated December 7, 2007, entered into between ISLAMIC REPUBLIC OF PAKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

### **ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in two portions in the following amounts:
  - (a) an amount equivalent to thirty two million five hundred thousand Special Drawing Rights (SDR 32,500,000) (“Portion A of the Credit”); and
  - (b) an amount equivalent to sixteen million six hundred thousand Special Drawing Rights (SDR 16,600,000) (“Portion B of the Credit”).

(Portion A of the Credit and Portion B of the Credit collectively referred to as the “Credit”)
- 2.02. The Recipient may withdraw the proceeds of the Credit in accordance with Section IV of Schedule 2 to this Agreement. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Chief Executive Officer of the Project Implementing Entity.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.05 The Recipient shall pay the Association interest on the amount of Portion A of the Credit withdrawn and outstanding from time to time at a rate equal to four and one fifth of one percent (4.20%) per annum. Such interest shall accrue from the respective dates on which the amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Such interest shall be computed on the basis of a 360-day year of twelve 30-day months.
- 2.06. The Payment Dates are February 1 and August 1 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is United States Dollars.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
  - (a) The Project Implementing Entity shall have failed to perform any of its obligations under the Project Agreement.
  - (b) As a result of events which have occurred after the date of the Additional Financing Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement.
  - (c) The Memorandum and Articles of Association shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

- (d) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Project Implementing Entity or for the suspension of its operations.
- (e) The Recipient shall have taken any action (including the repeal, amendment, suspension, abrogation or waiver of existing legislation and regulations or the introduction of new legislation or regulations) which, in the opinion of the Association, materially or adversely affects the operations or financial condition of POs.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following: the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
- 5.02. The Additional Legal Matter consist of the following: the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. Except as provided in Section 2.02 of this Agreement, the Recipient's Representative is the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in the Economic Affairs Division of the Recipient.
- 6.02. The Recipient's Address is:

The Secretary to the Government of Pakistan  
Economic Affairs Division  
Islamabad, Pakistan

Cable address:	Telex:	Facsimile:
ECONOMIC Islamabad	ECDIV-05-634	92 51 9205971 92 51 9210734

6.03. The Association's Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

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

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

ISLAMIC REPUBLIC OF PAKISTAN

By

/s/ M. Akram Malik  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Yusupha B. Crookes  
Country Director  
Pakistan

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to alleviate poverty by improving the access of the rural and urban poor to economic resources and services.

The Project consists of the Original Project and the following additional parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

#### Part D: Social Mobilization

1. Mobilization of about one (1) million rural poor households into more than 50,000 multi-functional and sustainable community organizations in the rural areas of twenty-five (25) of the Recipient's poorest districts to support the Recipient's poverty reduction agenda through PPAF.
2. Mobilization of existing community organizations to form federations at the Union Council level and to form Local Support Organizations to enhance communities' access to public and private sector resources and services, and to link organized communities more effectively with local governments.
3. Provision of training to approximately 250,000 people on management of community organizations and federations to achieve long term sustainability.

#### Part E: Institutional Capacity Building

Strengthening the capacity of PPAF and POs to reach, mobilize and train organized communities to improve poor people's access to economic resources and services.

#### Part F: Project Management, Monitoring and Evaluation

Provision of support to PPAF for the management, implementation and supervision of Part D of the Project, including the development of performance monitoring arrangements.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Subsidiary Agreement

1. To facilitate the carrying out of Parts D, E and F of the Project, the Recipient shall make the proceeds of the Credit available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity (“Subsidiary Agreement”), under terms and conditions approved by the Association, which shall include:
  - (a) the provision of the proceeds of the Credit to the Project Implementing Entity on a grant basis for purposes of carrying out the activities described in Parts D, E and F of Schedule 1 to this Agreement;
  - (b) the Project Implementing Entity shall undertake to carry out and/or cause to be carried out the Project with due diligence and efficiency and in accordance with appropriate management, and financial standards and practices and social and environmental standards acceptable to the Association, and provide, promptly as needed, the funds, facilities and other resources required for the purpose;
  - (c) the Project Implementing Entity shall undertake to procure and/or cause to be procured the goods and consultants’ services to be financed out of the proceeds of the Credit in accordance with the provisions of Section III of Schedule 2 to this Agreement, and utilize such goods and consultants’ services exclusively in the carrying out of Parts D, E and F of the Project;
  - (d) the Project Implementing Entity shall undertake to:
    - (i) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition, including the operations, resources and expenditures related to the Project;
    - (ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Project until at least one (1) year after the Recipient and the Association have received the audited financial statements covering the period during which the last withdrawal from the Financing Account was made;



- (iii) enable the Recipient and the Association's representatives to examine such records;
  - (iv) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by an independent accounting firm which shall have satisfactory rating under the Quality Control Review program managed by the Institute of Chartered Accountants of Pakistan;
  - (v) furnish to the Recipient and the Association as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited; an opinion on such statements by said auditors in such scope and detail as the Recipient and the Association shall have reasonably requested; and all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Recipient and the Association shall reasonably request; and
  - (vi) prepare and furnish to the Recipient and the Association all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Recipient and the Association shall reasonably request;
- (e) the Project Implementing Entity shall undertake to: (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Recipient and the Association the carrying out of the Project and the achievement of the objectives thereof; and (ii) prepare, under terms of reference satisfactory to the Association, and furnish to the Recipient and the Association for their review, consolidation in the Project Reports and submission to the Association, quarterly reports integrating the results of the monitoring and evaluation activities performed pursuant to clause (i) of this sub-paragraph on the progress achieved in the carrying out of the Project during the period preceding the date of each such report; and
- (f) the Recipient's right to suspend or terminate the right of the Project Implementing Entity to use the proceeds of the Credit upon: (i) the Project Implementing Entity's failure to perform any of its obligations under the Subsidiary Agreement, or to comply with all legal and regulatory requirements applicable to its operations; (ii) the Association exercising any of the remedies under Article VI of the General Conditions and/or Article IV of this Agreement; and (iii) notice by the

Project Implementing Entity that it intends to terminate the Subsidiary Agreement, whichever occur first.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**B. Anti-Corruption**

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

**C. Safeguards**

The Recipient shall cause the Project Implementing Entity:

- (a) to ensure that all activities will be carried out in accordance with the provisions of the Environmental Management Framework; and
- (b) not to assign, amend, abrogate or waive the Environmental Management Framework or any provisions thereof if, in the opinion of the Association, such assignment, amendment, abrogation, or waiver will materially and adversely affect the implementation of the Project.

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

**A. Project Reports**

1. The Recipient 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 agreed with the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare, or cause the Project Implementing Entity to prepare, and furnish to the Association as part of the Project Report 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 Recipient shall cause the Project Implementing Entity to have its financial statements audited, as provided in paragraph 3 of Section II.B of the Schedule to the Project Agreement. Each audit of the financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods**

1. **National Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding, subject to the following additional procedures:

- i. invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids;
- ii. bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- iii. foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
- iv. bidding shall not be restricted to pre-registered firms;
- v. qualification criteria shall be stated in the bidding documents;
- vi. bids shall be opened in public, immediately after the deadline for submission of bids;
- vii. estimates shall be prepared using market rates and bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- viii. before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained;
- ix. bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates;
- x. contracts shall not be awarded on the basis of nationally negotiated rates;
- xi. single bid shall also be considered for award;
- xii. contracts shall be awarded to the lowest evaluated and qualified bidder;
- xiii. post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;
- xiv. draft National Competitive Bidding (NCB) contracts shall be reviewed by the Association in accordance with the prior review procedures;
- xv. government-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient;
- xvi. a firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in

executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association.

- xvii. the Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association; and
- xviii. each contract financed from the proceeds of a Credit shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

- 2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	Shopping
(b)	Direct Contracting

**C. Particular Methods of Procurement of Consultants' Services**

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Selection Based on Consultants' Qualifications
(b)	Single Source Selection
(c)	Individual Consultants

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Credit**

**A. General**

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the Eligible Expenditures that may be financed out of the proceeds of the Credit ("Category"), and the percentage to be financed:

<b>Category</b>	<b>Amount of Portion A of the Credit Allocated (Expressed in SDR)</b>	<b>Amount of Portion B of the Credit Allocated (Expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (Inclusive of Taxes)</b>
Social Mobilization Cost; consultants' services, equipment and vehicles for PPAF and POs; training for PPAF and POs; and Incremental Operating Costs for PPAF and POs	32,500,000	16,600,000	100%
<b>TOTAL AMOUNT</b>	<b>32,500,000</b>	<b>16,600,000</b>	

For the purposes of this Schedule:

- (a) the term "Social Mobilization Costs" means salaries, per diem and fringe benefits of individuals hired by the POs as "social mobilizers", travel and subsistence of trainers or trainees for capacity building of communities, training materials and other costs related to training; and

- (b) the term “Incremental Operating Costs” means:
- (i) in respect of PPAF, salaries, per diem, and fringe benefits of staff appointed to posts in PPAF on or after July 1, 2007, and engaged on a full-time basis for the purposes of the Project, including conveyance, travel and boarding/lodging allowances when on tour, and operating and maintenance costs of vehicles, equipment and offices acquired under and used in the carrying out of the Project, including the costs of advertising, media projections, newspaper subscriptions, periodicals, insurance, printing, stationary, rent, utilities and bank charges, but excluding salaries of civil servants; and
  - (ii) in respect of a PO, the salaries, allowances and other emoluments of staff of the PO appointed to posts created after the signing of the relevant PO Grant Agreement and engaged on a full-time basis for the purposes of the Project, including conveyance, travel and boarding/lodging allowances when on tour, and operating and maintenance costs of vehicles, equipment and offices acquired under and used in the carrying out of the Project, including the costs of advertising, media projections, newspaper subscriptions, periodicals, insurance, printing, stationary, rent, utilities and bank charges, but excluding salaries of civil servants.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 3,270,000 equivalent may be made for payments made for Eligible Expenditures prior to this date but on or after July 1, 2007.
2. The Closing Date is June 30, 2010.

**Section V. Other Undertakings**

The Recipient and the Association intend, to the extent practicable, that the proceeds of Portion B of the Credit be disbursed on account of expenditures for the Project before disbursements of the proceeds of Portion A of the Credit.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each February 1 and August 1:	
commencing February 1, 2018 to and including August 1, 2027	1.25%
commencing February 1, 2028 to and including August 1, 2042	2.5%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.



## APPENDIX

### Section I. 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.
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 by World Bank Recipients” published by the Bank in May 2004 and revised in October 2006.
4. “Environmental Management Framework” means the environmental management framework dated June 24, 2003, satisfactory to the Association, approved by PPAF’s Board of Directors, which sets forth policies and procedures for the preliminary screening of proposed Project activities and for the preparation of environmental assessment and environmental management plans therefor during the implementation of the Project, as the same may be amended from time to time with the agreement of the Association.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006).
6. “Institute of Chartered Accountants of Pakistan” means the statutory autonomous body established on July 1, 1961, under the Chartered Accountants Ordinance of 1961 for purposes of regulating the profession of accountancy in the country.
7. “Local Support Organization” means a group of villages and/or community organizations mobilized for purposes of carrying out development work and forge links with local government and markets.
8. “Memorandum and Articles of Association” means the Memorandum and Articles of Association of PPAF dated January 9, 1997, as the same may be amended from time to time with the agreement of the Association.
9. “Operations Manual” means PPAF’s comprehensive operations manual dated June 25, 2003, satisfactory to the Association, containing PPAF’s eligibility criteria and appraisal, approval and supervision rules and procedures for POs, as the same may be amended from time to time with the agreement of the Association.

10. “Original Financing Agreement” means the development credit agreement for the Second Poverty Alleviation Fund Project between the Recipient and the Association, dated January 20, 2004, as amended to the date of this Agreement (Credit No. 3834-PAK).
11. “Original Project” means the Project described in the Original Financing Agreement.
12. “PO” or “Partner Organization” means a Non-governmental Organization (NGO), Rural Support Program (RSP), Community Based Organization (CBO) or private sector institution or entity, which is involved in poverty alleviation work, which meets the eligibility criteria for POs set forth in the Operations Manual for purposes of carrying out the Project.
13. “PO Grant Agreement” means an agreement to be entered into between PPAF and a PO pursuant to paragraph 3(c) of Section I.C of the Schedule to the Project Agreement.
14. “Portion A of the Credit” means the portion of the Credit specified in Section 2.01(a) of this Agreement.
15. “Portion B of the Credit” means the portion of the Credit specified in Section 2.01(b) of this Agreement.
16. “PPAF” means the Pakistan Poverty Alleviation Fund, an autonomous entity registered as a public non-profit company under Section 42 of the Recipient’s Companies Ordinance of 1984 and established as of February 6, 1997, the Project Implementing Entity for purposes of the General Conditions.
17. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated August 1, 2007, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
19. “Project Implementing Entity” means PPAF.
20. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Credit available to the Project Implementing Entity.

21. "Union Council" means an administrative unit at the local government level, comprised of several villages, and established pursuant to Local Government Ordinance dated August 13, 2001.