

CONFORMED COPY

CREDIT NUMBER 2468 PAK

Development Credit Agreement
(1992 Flood Damage Restoration Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 19, 1993

CREDIT NUMBER 2468 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 19, 1993, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) by agreement dated March 29, 1993 (the ADB Loan Agreement), the Asian Development Bank, (ADB) has agreed to make a loan (the ADB Loan) to the Borrower in an aggregate principal amount equivalent to seventy-one million seven hundred thirty-two thousand Special Drawing Rights (SDR 71,732,000) to assist in financing the Project on the terms and conditions set forth in the ADB Loan Agreement;

(C) Part A of the Project will be carried out by the Borrower's National Highway Authority (NHA), and Part B of the Project will be carried out by the Borrower's Province of Punjab (Punjab), Province of Sindh (Sindh), North West Frontier Province (NWFP) and Province of Balochistan (Balochistan), and by Azad Jammu and Kashmir (AJK), all with the Borrower's assistance and, as part

of such assistance, the Borrower will make available to NHA, Punjab, Sindh, NWFP, Balochistan and AJK the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith among the Association, NHA, Punjab, Sindh, NWFP, Balochistan and AJK;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "NHA" means the National Highway Authority established under the Borrower's National Highway Authority Act, 1991, as the same may be amended from time to time;

(b) "National Highway System" means the system of highways, bridges and other related structures designated as such pursuant to a decision of the Borrower;

(c) "MWP" means the Borrower's Ministry of Water and Power;

(d) "FFC" means the Federal Flood Commission referred to in paragraph 2 (a) of Schedule 4 to this Agreement;

(e) "Project Agreement" means the agreement between the Association, on the one hand, and NHA, Punjab, Sindh, NWFP, Balochistan and AJK, on the other hand, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(f) "Punjab" means the Province of Punjab, a political subdivision of the Borrower, or any successor thereto;

(g) "Sindh" means the Province of Sindh, a political subdivision of the Borrower, or any successor thereto;

(h) "NWFP" means the North West Frontier Province, a political subdivision of the Borrower, or any successor thereto;

(i) "Balochistan" means the Province of Balochistan, a political subdivision of the Borrower, or any successor thereto;

(j) "Provinces" mean collectively Punjab, Sindh, NWFP and Balochistan, and "Province" means each or any of the Provinces;

(k) "AJK" means the territory of Azad Jammu and Kashmir, or any successor thereto;

(l) "P&DB" means the Planning and Development Board of Punjab;

(m) "P&DD" means the Planning and Development Department of Sindh, NWFP, Balochistan or AJK, as the case may be;

(n) "PID" means a Provincial Irrigation Department;

(o) "C&WD" means a Provincial Communications and Works

Department or AJK's Communications and Works Department, as the case may be;

(p) "PED" means a Provincial Education Department;

(q) "Implementing Agencies" mean NHA, PIDs, C&WDs, and PEDs collectively; and "Implementing Agency" means each of those agencies individually;

(r) "PFDRRC" means each or any of the Provincial Flood Damage Restoration Cells or AJK's Flood Damage Restoration Cell, as the case may be, referred to in paragraph 2 (b) of Schedule 4 to this Agreement;

(s) "FFC Special Account" means the account which the Borrower shall open and maintain for FFC pursuant to the provisions of Section 2.02 (b) of this Agreement;

(t) "NHA Special Account" means the account which NHA shall open and maintain pursuant to the provisions of Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(u) "Punjab Special Account" means the account which Punjab shall open and maintain pursuant to the provisions of Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(v) "Sindh Special Account" means the account which Sindh shall open and maintain pursuant to the provisions of Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(w) "NWFP Special Account" means the account which NWFP shall open and maintain pursuant to the provisions of Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(x) "Balochistan Special Account" means the account which Balochistan shall open and maintain pursuant to the provisions of Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(y) "AJK Special Account" means the account which AJK shall open and maintain pursuant to the provisions of Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(z) "Special Accounts" mean collectively the FFC Special Account, the NHA Special Account, the Punjab Special Account, the Sindh Special Account, the NWFP Special Account, the Balochistan Special Account and the AJK Special Account; and "Special Account" means each or any of the Special Accounts;

(aa) "Major Bridges" mean collectively the bridge on Kunhar River at Garhi Habibullah and the bridge at Khanpur, both in NWFP, and the bridges on Jhelum River at Kohala, Kaliari, Karrot, Azad Pattan and Mangla, all in Punjab, all to be constructed under the Project; and

(bb) "FY" or "fiscal year" means the fiscal year of the Borrower or NHA or a Province or AJK, as the case may be, covering the period July 1 through June 30.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seventy-two million eight hundred thousand Special Drawing Rights (SDR 72,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the

Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall: (i) for the purposes of the consultants' services required for the Project and to be financed out of the proceeds of the Credit, open and maintain in dollars a special deposit account for FFC; (ii) for the purposes of Part A of the Project, cause NHA to open and maintain in dollars a special deposit account; and (iii) for the purposes of Part B of the Project, cause the Provinces and AJK to open and maintain in dollars special deposit accounts, all in the National Bank of Pakistan on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1996 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent ($1/2$ of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing March 15, 2003 and ending September 15, 2027. Each installment to and including the installment payable on September 15, 2012 shall be one and one-fourth percent ($1-1/4\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2-1/2\%$) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the

Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The following are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions:

(a) the Chairman, FFC, in respect of the consultants' services required for the Project and to be financed out of the proceeds of the Credit;

(b) the Chairman, NHA, in respect of Part A of the Project;

(c) the Chairman, P&DB, Punjab, in respect of Punjab's activities under Part B of the Project;

(d) the Additional Chief Secretary (Development), P&DD, Sindh, in respect of Sindh's activities under Part B of the Project;

(e) the Additional Chief Secretary, P&DD, NWFP, in respect of NWFP's activities under Part B of the Project;

(f) the Additional Chief Secretary, P&DD, Balochistan, in respect of Balochistan's activities under Part B of the Project; and

(g) the Additional Chief Secretary, P&DD, AJK, in respect of AJK's activities under Part B of the Project.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall carry out its activities under the Project through FFC with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for its activities under the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause NHA, the Provinces and AJK to perform in accordance with the provisions of the Project Agreement all the obligations of NHA, the Provinces and AJK therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NHA, the Provinces and AJK to perform such obligations,

and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall, and shall cause NHA, the Provinces and AJK to, carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Except for amounts needed to make payments for the consultants' services required for the Project and to be financed out of the proceeds of the Credit, the Borrower shall make the proceeds of the Credit available to NHA, the Provinces and AJK according to need and in the order in which they are able to utilize such proceeds.

Section 3.02. 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 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that 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 shall be carried out by NHA, the Provinces and AJK pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures of FFC in respect of the consultants' services required for the Project and to be financed out of the proceeds of the Credit.

(b) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(c) The Borrower shall:

- (i) have the records and accounts referred to in paragraphs (a) and (b) (i) of this Section and those for the FFC Special Account 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 scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) NHA or any of the Provinces or AJK 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 Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that NHA or any of the Provinces or AJK will be able to perform its obligations under the Project Agreement.

(c) The Borrower's National Highway Authority Act, 1991, or any provision thereof shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NHA to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of NHA or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of the ADB Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the ADB Loan Agreement, or

(B) the ADB Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under the ADB Loan Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association

to the Borrower;

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Executive Committee of the National Economic Council of the Borrower (ECNEC) has approved the umbrella Planning Commission Proforma 1 (PC-1) document with respect to the Project;

(b) the contract or contracts for consultants services required for the purposes of the Project and to be engaged in accordance with the provisions of Section II of Schedule 3 to this Agreement have been signed; and

(c) all conditions precedent to the effectiveness of the ADB Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by NHA, the Provinces and AJK and is legally binding upon NHA, the Provinces and AJK in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division or any Additional Secretary, Joint Secretary, Deputy Secretary, or Section Officer in that Division of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Affairs Division
Islamabad
Pakistan

Cable address:

Telex:

ECONOMIC
Islamabad

5634 ECDIV PK

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

United States of America

Cable address:

Telex:

INDEVAS
Washington, D.C.

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

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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Agha Ghazanfar

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	62,600,000	90%
(2) Removable bridges	3,700,000	100% of foreign expenditures
(3) Consultants' services	2,400,000	50%
(4) Unallocated	4,100,000	
TOTAL	72,800,000 =====	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 14,600,000, may be made in respect

of Categories (1) and (2) on account of payments made for expenditures before that date but after September 10, 1992;

(b) expenditures for works carried out or goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance; and

(c) expenditures for works carried out or goods supplied under a contract which the Association or the Bank shall have financed or agreed to finance out of the proceeds of any other credit or loan.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for such expenditures and under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to assist the Borrower, the Provinces and AJK in carrying out their program of urgent restoration of public infrastructure damaged by the 1992 rains and floods, and thereby (b) to facilitate the expeditious resumption of vital governmental, commercial and social activity in the rain- and flood-affected areas.

The Project, which represents a three-year time-slice of said program, consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Restoration of Federal Facilities

Restoration of roads forming part of the National Highway System or otherwise falling within the area of responsibility of NHA, including the provision and/or reconstruction or repair/rehabilitation of bridges, culverts and other related structures.

Part B: Restoration of Provincial/AJK Facilities

Restoration of:

- (i) irrigation, drainage and flood protection facilities;
- (ii) roads, other than those forming part of the National Highway System or otherwise falling within the area of responsibility of NHA, including the provision and/or reconstruction of bridges, culverts and other related structures; and
- (iii) primary education and basic health facilities, including the provision of basic furniture and fixtures.

* * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: Procurement Procedures

1. Except as provided in paragraphs 2, 3 and 4 of this Part, works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Construction of the Major Bridges shall be carried out under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).
3. Selected irrigation, drainage and flood protection works under Part B (i) of the Project and works for primary education and basic health facilities under Part B (iii) of the Project may be carried out by force account.
4. Certain works, begun before the date of this Agreement but after September 10, 1992, may continue, with the specific approval of the Association in each case, to be:
 - (a) carried out by force account; or
 - (b) procured by direct contracting without competition or through variation of existing contracts; or
 - (c) procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.
5. Removable bridges may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.2 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraph 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:
 - (a) With respect to each contract for the construction of the Major Bridges, for other works estimated to cost the equivalent of \$1,000,000 or more, and for the supply of removable bridges, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.
 - (b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.
 - (c) The provisions of the preceding subparagraph (b) shall

not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist NHA, the Provinces and AJK in carrying out the Project, the Borrower shall, through FFC, employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

1. Project Implementation

(a) Responsibility for implementation of the Project shall be assigned as follows:

- (i) for the roads under Part A of the Project, to NHA;
- (ii) for the irrigation, drainage and flood protection facilities under Part B (i) of the Project, to each PID;
- (iii) for the roads under Part B (ii) of the Project, the basic health facilities under Part B (iii) of the Project, and the primary education facilities in NWFP and AJK under Part B (iii) of the Project, to each C&WD; and
- (iv) for the primary education facilities in Punjab and Sindh under Part B (iii) of the Project, to each PED.

(b) NHA, each PID, each C&WD and each PED shall, within its sphere of responsibility, inter alia: (i) select the facilities to be restored; (ii) acquire land; (iii) prepare plans, designs, and tender documents in accordance with approved specifications and procedures and award contracts; (iv) carry out the restoration and supervise contractors; (v) maintain separate project accounts; (vi) certify the quantity and quality of completed civil works; (vii) prepare payment requests for submission to PFDR; and (viii) make an appropriate input to the progress reports referred to in paragraph 6 of this Schedule. NHA shall also be responsible, with respect to Part A of the Project, for operating the NHA Special Account and for submitting withdrawal applications to the Association. NHA and each PID, C&WD and PED shall appoint a coordinator for these purposes.

2. Project Coordination

(a) Federal/Flood Commission. At the federal level, the Federal Flood Commission (FFC) in MWP shall coordinate and monitor overall Project implementation. The FFC shall be headed by a Federal Project Coordinator assisted by suitable professional and support staff. The FFC shall, inter alia: (i) appoint the Project consultants; (ii) prepare and submit withdrawal applications to the Association in respect of expenditures for consultants' services; (iii) monitor disbursements and auditing of the Project accounts; (iv) on the basis of the input made by NHA, each PID, each C&WD and each PED, prepare and furnish to the Association, in consolidated form, the progress reports referred to in paragraph 6 of this

Schedule; and (v) on behalf of the Borrower, prepare and furnish to the Association the Project Completion Report referred in Section 9.06 (e) of the General Conditions.

(b) Provincial Flood Damage Restoration Cells. At each provincial level and in AJK, a Provincial Flood Damage Restoration Cell (PFDR) shall coordinate overall Project implementation. The PFDR shall be headed by a Provincial Project Coordinator assisted by suitable professional and support staff. The PFDR shall, inter alia: (i) operate the relevant Special Account and submit withdrawal applications to the Association; (ii) monitor the auditing of the Project accounts; (iii) prepare and furnish to FFC, within 30 days of each reporting period, quarterly and annual progress reports; and (iv) make other appropriate input to the reports referred to in paragraphs 2 (a) (iv) and 6 of this Schedule.

3. Selection and Restoration of Facilities

(a) Each Implementing Agency shall, with respect to the facilities to be restored under its part of the Project;

- (i) select such facilities in accordance with criteria satisfactory to the Association, including those set forth in the Annex to this Schedule;
- (ii) submit each proposal for the restoration such facilities to the Association for its review and approval, if such proposal: (A) is estimated to cost an amount equivalent to \$1,000,000 or more; and/or (B) would, if implemented, entail the involuntary resettlement of people;
- (iii) carry out the restoration works in accordance with restoration standards and implementation arrangements satisfactory to the Association; and
- (iv) prior to the commencement of any such restoration works, prepare a pre-construction survey of such facilities in sufficient detail to enable the Project consultants to verify work quantities and thereafter make such surveys available for examination by the Association's representatives from time to time.

(b) Each Implementing Agency shall submit each proposal for the restoration of facilities under the Project to FFC for a decision by FFC, in consultation with the Association and ADB, as to whether the facilities under consideration should be proposed for financing out of the proceeds of the Credit or the ADB Loan. In arriving at such a decision, FFC shall be governed by the consideration that, to the extent practicable, the Credit and the ADB Loan be committed simultaneously and in equal proportions.

4. Restoration Works Files. Each Implementing Agency shall: (a) maintain a separate file for each set of facilities restored under the Project, containing, inter alia, pre-construction drawings, designs, cost estimates, tender notices and documents, tender evaluation reports, contracts, consultants' inspection notes and contractors' bills and receipts for payments, together with the supporting summaries for requests for payments out of the proceeds of the Credit; and (b) thereafter make such file available for examination by the Association's representatives from time to time.

5. Operation and Maintenance. Each Implementing Agency shall be responsible for the operation and maintenance of the facilities restored by it under the Project, and shall provide the funds, facilities, services and other resources necessary or appropriate for this purpose.

6. Progress Reports. Pursuant to Section 9.06 of the General Conditions, FFC shall: (a) not later than sixty (60) days after the

end of each quarter, beginning with the quarter ending June 30, 1993, furnish to the Association, in form and substance satisfactory to the Association, a progress report on the Project for such quarter; provided, however, that the first such report shall also cover the quarters ending December 31, 1992 and March 31, 1993; and (b) not later than sixty (60) days after the end of each calendar year, beginning with the year ending December 31, 1993, furnish to the Association, in form and substance satisfactory to the Association, a progress report on the Project for such year.

7. Mid-Term Review. FFC shall, in association with the PFDRCs and the Implementing Agencies, and acting jointly with the Association in accordance with terms of reference acceptable to the Association, carry out, not later than May 31, 1994, a mid-term overall review of the Project, and shall thereafter make such adjustments in the activities being carried out under the Project and the related organizational and operational arrangements as may be warranted in the light of such review and agreed with the Association.

ANNEX TO SCHEDULE 4

Criteria for the Selection of Facilities to be Restored

Facilities shall be eligible for restoration under the Project only if they shall:

- (a) be located in an area affected by the 1992 rains and floods;
- (b) have been damaged, directly or indirectly, by the 1992 rains and floods, or be of such a nature that, if not restored, would degrade or severely diminish the effectiveness of other facilities being restored under the Project;
- (c) not involve merely the carrying out of works of a flood-fighting or provisional nature needed to restore traffic (except in the case of provincial roads on which works have been or are waiting to be carried out under Bank- or other Association-financed projects), irrigation and flood protection on an interim or emergency basis and which would subsequently be replaced by works carried out to appropriate construction standards;
- (d) not involve merely the carrying out of what are essentially in the nature of non-flood-related deferred maintenance works;
- (e) not involve the carrying out of works which have an adverse effect on natural ecosystems and the environment; and
- (f) not involve the carrying out of works by the military or for military purposes.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

- (a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
- (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
- (c) the term "Authorized Allocation" means, in respect of FFC, an amount equivalent to \$300,000 to be withdrawn from the

Credit Account and deposited into the FFC Special Account; in respect of NHA, an amount equivalent to \$3,500,000 to be withdrawn from the Credit Account and deposited into the NHA Special Account; in respect of Punjab, an amount equivalent to \$2,500,000 to be withdrawn from the Credit Account and deposited into the Punjab Special Account; in respect of Sindh, an amount equivalent to \$2,500,000 to be withdrawn from the Credit Account and deposited into the Sindh Special Account; in respect of NWFP, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the NWFP Special Account; in respect of Balochistan, an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Balochistan Special Account; and in respect of AJK, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the AJK Special Account, all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of a Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the relevant Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, FFC or NHA or each Province or AJK, as the case may be, shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of FFC or NHA or each Province or AJK, as the case may be, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as FFC or NHA or each Province or AJK, as the case may be, shall have requested.

(b) (i) For replenishment of the Special Account, FFC or NHA or each Province or AJK, as the case may be, shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, FFC or NHA or each Province or AJK, as the case may be, shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as FFC or NHA or each Province or AJK, as the case may be, shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by FFC or NHA or each Province or AJK, as the case may be, out of a Special Account, FFC or NHA or each Province or AJK, as the case may be, shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by FFC or NHA or each Province or AJK, as the case may be, directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the aggregate of the amounts of the Authorized Allocation specified in paragraph 1 (c) above.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to FFC, NHA, each Province and AJK. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in a Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, FFC or NHA or each Province or AJK, as the case may be, shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until FFC or NHA or each Province or AJK, as the case may be, has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, FFC or NHA or each Province or AJK, as the case may be, shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) FFC or NHA or each Province or AJK, as the case may be, may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

