

OFFICIAL
DOCUMENTS

KP/FATA/BALUCHISTAN MDTF
GRANT NUMBER TF014957-PK

**KP/FATA/Balochistan
Multi Donor Trust Fund
Grant Agreement**

(Competitive Industries Project for Khyber Pakhtunkhwa)

between . . .

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

**acting as administrator of the KP/FATA/Balochistan
Multi Donor Trust Fund**

Dated *September 17*, 2013

**KP/FATA/BALUCHISTAN MDTF
GRANT NUMBER TF014957-PK**

**KP/FATA/BALUCHISTAN MULTI-DONOR TRUST FUND
GRANT AGREEMENT**

AGREEMENT dated *September 17*, 2013, entered into between:
The ISLAMIC REPUBLIC OF PAKISTAN ("Recipient"); and INTERNATIONAL
DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of
KP/FATA/Balochistan Multi-Donor Trust Fund.

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions"), 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 Standard Conditions or in this Agreement, including the Appendix hereto.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause the Project to be carried out by Khyber Pakhtunkhwa ("Project Implementing Entity") in accordance with the provisions of Article II of the Standard Conditions and the agreement dated of even date between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time ("Project Agreement").
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to nine million United States Dollars (\$9,000,000) ("Grant") to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

**Article IV
Additional Remedies**

- 4.01. The Additional Event of Suspension referred to in Section 4.02(k) of the Standard Conditions consists of the following:
 - (a) PASDEC's Enabling Legislation shall have been amended, suspended, abrogated, repealed or waived, whether in whole or in part, so as to materially and adversely affect the Recipient's and the Project Implementing Entity's ability to perform their obligations set forth in this Agreement or the Project Agreement, as the case may be, as well as achieve the Project's development objectives.

Article V
Recipient's Representative; Addresses

- 5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Secretary, Additional Secretary, Joint Secretary, or Deputy Secretary to the Economic Affairs Division, Government of Pakistan.
- 5.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

92-51-9202417

- 5.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:
INDEVAS
Washington, D.C.

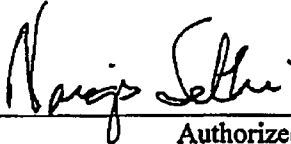
Telex:
248423 (MCI) or
64145 (MCI)

Facsimile:
1-202-477-6391

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

ISLAMIC REPUBLIC OF PAKISTAN

By



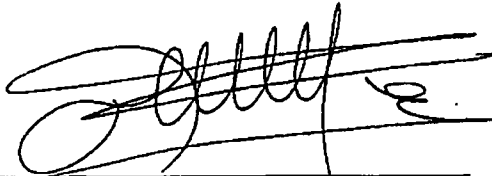
Authorized Representative

Name: Margis Sethi

Title: Secretary, EAD

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the KP/FATA/Balochistan
Multi-Donor Trust Fund

By



Authorized Representative

Name: Rasid Benmerrad

Title: Country Director

SCHEDULE 1
Project Description

The objective of the Project is to improve the competitiveness of the marble and food processing sectors in Khyber Pakhtunkhwa by providing shared infrastructure and relevant skills along the marble sector value chain and by addressing knowledge and coordination gaps along the food processing sector value chain.

The Project consists of the following parts:

Part A: Increasing Productivity and Employment in the Marble Sector

1. *Establishing a Machinery Pool:* Establishing a machinery pool for marble queries in Risalpur Marble City, to increase productivity and reduce life threatening mining practices.
2. *Strengthening the Common Facility and Training Center ("CFTC"):* Establishing a CFTC in Risalpur Marble City to: (a) improve marble processing in order to meet export requirements/standards; and (b) provide skills training to benefit processing facilities.
3. *Providing Access to Markets:* Facilitating the integration of domestic and export markets for Khyber Pakhtunkhwa's marble products, and promoting strategic decisions made by industry stakeholders regarding the different aspects of the marble products' access to markets, such as optimal mix of markets, distribution channels and marketable products.

Part B: Supporting the Development and Enhancing the Impact of Food Processing Cluster

1. *Value Chain Prioritization and Analysis:* Carrying out value chain prioritization and analysis to suggest action plans for developing and marketing high quality value fruits and vegetables processing.
2. *Feasibility Studies:* Carrying out feasibility studies on selected projects along the food processing value chain to address information failures and develop a better understanding of the constraints and opportunities in horticulture sector in Khyber Pakhtunkhwa.
3. *Cluster development program:* Improving coordination among the stakeholders in the food industry value chain in order to plan and execute a cluster development program aimed at mobilizing stakeholders in the food processing industry to develop an action plan to identify specific areas for support, and updating the mapping of various food processing clusters in Khyber Pakhtunkhwa.

Part C: Institutional Capacity Building

Strengthening institutional capacity of KP-PMU, the Directorate of Mines and Minerals of Khyber Pakhtunkhwa, PASDEC and mines associations in Khyber Pakhtunkhwa to ensure effective implementation of the Project, including supporting a review of Khyber Pakhtunkhwa's mining rules and regulations.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. On-Granting Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity in accordance with the provisions of this Agreement and the Recipient's on-granting policies and budgetary procedures, and under the same terms and conditions as shall have been received from the World Bank.
2. Notwithstanding paragraph 1 above, in the event that any of the provisions of this Agreement, including the instructions that the World Bank shall have specified by notice to the Recipient pursuant to Section IV.A.I of this Schedule, were inconsistent with the budgetary procedures of the Recipient, the provisions of this Agreement and related instructions shall govern.
3. The Recipient shall exercise its rights under the on-granting arrangements in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines").

C. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguards Instruments, and pursuant to the objectives, policies, procedures, time schedule and other provisions set forth therein, in a manner and substance satisfactory to the World Bank.
2. The Recipient shall not amend, waive, suspend or abrogate any provision of the Safeguards Instruments, whether in whole or in part, without the prior concurrence of the World Bank. In the event of a conflict between the provisions of the Safeguards Instruments and those of this Agreement and/or the Project Agreement, the provisions of the latter agreements shall prevail.

D. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.
2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donors to visit any part of the Recipient's territory for purposes related to the Project.
3. Notwithstanding the Recipient's copyrights on any books, leaflets, articles, publications, and/or any other copyrightable materials developed in relation to, or under, the Project, the Recipient grants to the Donors and/or the World Bank royalty-free, non-exclusive and irrevocable rights to reproduce, publish or otherwise use, and to authorized others to use, said copyrightable materials for the governmental or institutional purposes, respectively.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of six (6) months, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) twenty-five (25) marble mines' production enhanced by forty percent (40%) through the use of new technologies supported by the Project;
 - (ii) a total of seven hundred and fifty (750) direct and indirect jobs created for the relevant skills developed by the Project in Khyber Pakhtunkhwa's marble sector; and
 - (iii) two (2) priority public sector shared infrastructure interventions identified for Khyber Pakhtunkhwa's food processing sector.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.
- B. Financial Management; Financial Reports; Audits**
1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
 2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
 3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, non-consulting-services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines") in the case of goods and non-consulting services, and Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
- B. Particular Methods of Procurement of Goods and Non-consulting Services**
1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
 2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in paragraph 3 below; (b) Shopping; and (c) Direct Contracting.
 3. **Additional Provisions and Procedures for National Competitive Bidding (NCB):** When procuring goods and non-consultant services pursuant to the provision of Rules 18 through 22, 24, 31, 35 and 36 of the Recipient's Public Procurement Rules (SO) FR/9-7/2002, for Khyber Pakhtunkhwa, as agreed to with the World Bank, the Recipient shall ensure that the following additional provisions be applied in order to align such procedures with the Procurement Guidelines:
 - (i) Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least fifteen (15) 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) Single bids shall also be considered for evaluation.

- (viii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.
- (ix) Before rejecting all bids and soliciting new bids, the World Bank's prior concurrence shall be obtained.
- (x) Contracts shall not be awarded on the basis of nationally negotiated rates.
- (xi) Contracts shall be awarded to the lowest evaluated and qualified bidder.
- (xii) Post-bidding price negotiations shall not be allowed with the lowest evaluated or any other bidders.
- (xiii) 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.
- (xiv) Draft NCB contract would be reviewed by the World Bank in accordance with the prior review procedures.
- (xv) A firm declared ineligible by the World Bank, based on a determination by the World Bank that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing a World Bank-financed contract, shall be ineligible to be awarded a World Bank-financed contract during the period of time determined by the World Bank.
- (xvi) Each contract financed from the proceeds of the Grant shall provide that the suppliers, contractors and subcontractors shall permit the World Bank, at its request to inspect their account and records audited by auditors appointed by the World Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.
- (xvii) State-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.
- (xviii) The World Bank shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank, if it at any time determines that the firm has, directly or through an agent, engage in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by the World Bank.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank 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 categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services, Training and Workshops and Incremental Operating Costs	9,000,000	100%
TOTAL AMOUNT	9,000,000	

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 \$1,500,000 equivalent may be made for payments made prior to this date but on or after March 15, 2013, for Eligible Expenditures.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.

Section V. Other Undertakings; Project Staff Allowances

The Recipient shall cause the Project Implementing Entity to ensure that, except as the World Bank may otherwise agree in writing, the project staff allowances referred to in Section 6 (Incremental Operating Costs) of the Appendix to this Agreement shall not be financed out of the proceeds of the Grant after a period of twenty-four (24) months after effectiveness date of this Agreement and that the resources necessary for this purpose after such time are made available as agreed with the Recipient.

APPENDIX
Definitions

1. "Common Facility and Training Center" and the acronym "CFTC" mean the Common Facility and Training Center established in Risalpur Marble City under Part A.2 of the Project.
2. "Donors" means collectively all the development partners that have contributed funds to the KP/FATA/Baluchistan Multi-Donor Trust Fund at any time during the lifespan of the trust fund, as communicated to the Recipient, Khyber Pakhtunkhwa and/or the Recipient's Federally Administered Tribal Areas by the World Bank.
3. "Environmental and Social Management Plan" and the acronym "ESMP" mean the social and environmental plan to be prepared and adopted by the Project Implementing Entity, as satisfactory to the World Bank, setting forth, *inter alia*: (a) an assessment of the environmental and social impacts likely to be caused by the Project, the proposed mitigation measures therefor, and the authorities responsible for their implementation and/or supervision; (b) the required institutional capacity building measures; (c) a health and safety management plan that refers to and adheres to the Environment, Health and Safety Guidelines for Mining; (d) relevant contractual clauses for users of the mining machinery and the marble processing facilities facilitated under Part A of the Project, including a ban on any form of child labor; and (e) the assessment of the completion of construction activities at the industrial estate in Risalpur owned by PASDEC and any mitigating environmental and/or social (including resettlement) issues identified in accordance with the ESMP, all in accordance with the provisions of the MDTF-ESSAF.
4. "Environment, Health and Safety Guidelines for Mining" means, collectively, the General Environmental, Health and Safety Guidelines dated April 30, 2007 and the Environmental, Health and Safety Guidelines for Mining dated December 10, 2007, applied by the International Finance Corporation to its projects in the mining sector.
5. "Grievance Redressal Mechanism" means the procedural system established by the Project Implementing Entity to address complaints or challenges filed by Project stakeholders, and/or third parties related to grievances arising out of, or related to, Project implementation and shall be in accordance with principles, procedures and guidelines acceptable to the World Bank, as referred to in Section I.C of the Schedule to the Project Agreement.
6. "Incremental Operating Costs" means the reasonable expenditures for contractual staff, office rent, office supplies, utilities, conveyance, travel and

boarding/lodging allowances, per diem, operating and maintenance expenditures of office equipment and vehicles, bank charges, insurance, advertising, media projections, newspaper subscriptions, periodicals, printing and stationary costs incurred by the Project Implementing Entity for purposes of carrying out Project activities, which expenditures would not have been incurred in the absence of the Project, but excluding salaries or salaries supplements of the Project Implementing Entity's civil servants, save and except for reasonable Project staff allowances for such members working full-time on the Project as may be permitted under the Recipient's or the Project Implementing Entity's civil service statutes and regulations.

7. "Khyber Pakhtunkhwa" means the Recipient's province of Khyber Pakhtunkhwa (formerly known as the North West Frontier Province) or any successor thereto.
8. "KP-PMU" means the Project Management Unit established within the Department of Industries and Technical Education of Khyber Pakhtunkhwa pursuant to Notification No. INDD/ER/9-50/PMU of March 8, 2011, and referred to in Section I.A of the Schedule to the Project Agreement.
9. "MDTF Environmental and Social Screening and Assessment Framework" and the acronym "MDTF-ESSAF" mean the World Bank's framework, dated December 2010, and agreed with the Recipient to be applied to all projects financed out of the KP/FATA/Baluchistan Multi-Donor Trust Fund, setting out the guidelines relating to mitigation, enhancement, monitoring and institutional measures (including capacity building through training) to eliminate any adverse environmental and social impacts of projects, offset them or reduce them to acceptable levels, or enhance any positive ones.
10. "Operations Manual" means the manual prepared and adopted by the Project Implementing Entity on June 13, 2013 setting forth, *inter alia*: (a) the allocation of responsibilities and functions between the Project Implementing Entity and PASDEC; (b) the eligibility criteria, process and terms and conditions for rental of equipment under Part A of the Project; (c) accounting and audit policies, procedures and standards; (d) the financial arrangements for the flow of funds for the implementation of the Project; (e) the delegation of authority for decision making in procurement matters; and (f) the data verification, monitoring, reporting and evaluations requirements and procedures, including third party validations.
11. "PASDEC" means the Pakistan Stone Development Company, established by the Ministry of Industries, Production & Special Initiatives of Pakistan, incorporated as a non-profit public limited company in Pakistan under Section 42 of the

Companies Ordinance, 1984, bearing Registration Number 00000005699/20060601.

12. "PASDEC-Agreement" means the agreement to be executed between the Project Implementing Entity and PASDEC to allocate functions, responsibilities and arrangements for PASDEC to collaborate with the Project Implementing Entity in its implementation of Part A of the Project, as referred to in Section I.B.1 of the Schedule to the Project Agreement, and which shall form part of the Operations Manual.
13. "PASDEC's Enabling Legislation" means the Companies Ordinance, 1984 (Ordinance No. XLVII of 1984), to consolidate and amend the laws relating to companies and certain other associations in Pakistan.
14. "Project Steering Committee" means the Project Steering Committee to provide the overall strategic policy guidance, coordination and oversight of the Project implementation by the Project Implementing Entity, as referred to in Section I.A.2 of the Schedule to the Project Agreement
15. "Project Unit" means the Project Unit at the Department of Mines and Minerals of Khyber Pakhtunkhwa to provide technical support to the Project Implementing Entity in implementing Part A of the Project, as referred to in Section I.A.5 of the Schedule to the Project Agreement.
16. "Risalpur Marble City" means the marble city in the Nowshera district of Khyber Pakhtunkhwa, operated by PASDEC pursuant to the planning commission pro forma (PC-1) entitled the "Development of Marble & Granite Sector", dated August 13, 2007, approved by the Ministry of Industries, Production & Special Initiatives of the Recipient.
17. "Safeguards Instruments" means, collectively, the MDTF Environmental and Social Screening and Assessment Framework and the Environmental and Social Management Plan.
18. "Training and Workshops" means the reasonable costs of training, workshops and conferences relevant for the Project and carried out in the territory of the Recipient, including purchase and publication of materials, rental of facilities for conducting training and workshops, facilitator's fees, course fees and travel and subsistence allowances for trainers and trainees.