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CONFORMED COPY

CREDIT NUMBER 4203-PAK

Project Agreement

(Balochistan Education Support Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF BALOCHISTAN

Dated July 10, 2006

CREDIT NUMBER 4203-PAK

PROJECT AGREEMENT

AGREEMENT dated July 10, 2006, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") and PROVINCE OF BALOCHISTAN acting by its Governor (the "Project Implementing Entity") (the "Project Agreement") in connection with the Financing Agreement of same date between the Islamic Republic of Pakistan (the "Recipient") and the Association (the "Financing Agreement"). The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project through BEF in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – TERMINATION

- 3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV – REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity's Representative is the Additional Chief Secretary, Planning and Development Department.

4.02. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Planning and Development Department
Government of Balochistan
Quetta, Pakistan

Cable address:	Telex:	Facsimile:
DEVELOPMENT Quetta Pakistan	7875MLNSE PK	92-81-9202419

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John Wall

Authorized Representative

PROVINCE OF BALOCHISTAN

By /s/ Qayyum Nazar Changezi

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

A. Overall Project Implementation and Coordination

1. The Project Implementing Entity shall:

(a) vest responsibility for the overall management and coordination of the Project in BEF; and

(b) to that end, ensure that BEF will be maintained, with functions, staffing and resources satisfactory to the Association.

2. (a) The Project Implementing Entity shall, and shall cause BEF, to carry out the Project in accordance with the Operations Manual and the Environmental Management Framework.

(b) Except as the Association shall otherwise agree, the Project Implementing Entity shall, and shall cause BEF to, not amend, vary, or waive any provision of the Operations Manual and the Environmental Management Framework if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

3. The Project Implementing Entity shall cause BEF to select IPs in accordance with eligibility criteria set out in the Operations Manual, to be generally responsible for establishing and operating Community Schools and Private Schools and for carrying out capacity building activities. Specifically:

(a) in the case of Community Schools, CIPs will be responsible for:
(i) mobilizing and assisting communities in forming, registering and training of PECs;
(ii) assisting PECs in establishing and maintaining Community Schools including preparation of Community School Grant proposals and submitting them to BEF for approval; (iii) monitoring and supervising the use of Community School Grants, the construction of school buildings, teacher and student attendance, quality of learning, school conditions and community participation; and (iv) preparing and submitting to BEF quarterly reports on the performance of PECs and Community Schools;

(b) in the case of Private Schools, PIPs will be responsible for: (i) preparing and submitting to BEF for approval, Private School Grant proposals including proposals for the establishment and maintenance of new Private Schools, plans for enrolment of students, the proposed fee structure, the investments required to support the school and

the procedure for hiring and firing of teachers; (ii) monitoring and supervising the use of Private School Grants; and (iii) preparation and submission to BEF quarterly reports on the performance of the Private Schools; and

(c) with respect to capacity building, TIPs shall be responsible for implementing Part 3(a) and (b) of the Project as described in Schedule 1 to the Financing Agreement, which shall include: (i) provision of basic and advanced training to teachers; and (ii) provision of training to members of PECs and to the professional staff of BEF, CIPs and PIPs.

4. The Project Implementing Entity shall cause BEF to ensure that PECs: (a) are established for each Community School, with membership consisting of parents of children studying in the proposed school to be administered by the PEC, all in accordance with the requirements set out in the Operations Manual; (b) will be responsible, among other things, for the administration of the schools, including hiring and firing of teachers, overseeing the construction and maintenance of school buildings, opening and maintaining school bank accounts, maintaining financial and meeting records and overseeing the enrollment, participation and performance of the school; and (c) in carrying out their functions, will work with the responsible IPs.

B. Community School Grants and Private School Grants

1. The Project Implementing Entity shall cause BEF to approve and disburse the Community School Grants and Private School Grants to the respective Beneficiaries, and monitor the uses of all such Grants, all in accordance with the eligibility and selection criteria, disbursement procedures and criteria, monitoring procedures and other provisions relating to such Grants set out in the Operations Manual, including the requirement that:

(a) in the case of Community School Grants, the CIP shall in consultation with the PEC prepare and submit a proposal to BEF setting out the activities to be financed by the Community School Grant;

(b) in the case of Private School Grants, each PIP submit a proposal to BEF setting out the activities to be financed by the Private School Grant; and

(c) no single IP will be eligible for applying for a Grant for financing more than twenty-five percent (25%) of the total number of Community Schools or Private Schools, as the case may be, to be established under the Project.

2. Upon approval of the proposal for a Grant, the Project Implementing Entity shall cause BEF to ensure that an agreement (“Partnership Agreement”) is entered into, in the case of Community School Grants, between each PEC, each CIP and BEF, and, in the case of Private School Grants, between each PIP and BEF, setting forth the milestones to be achieved before each disbursement of the Grant can be made. The Project

Implementing Entity shall ensure that each Grant is disbursed by BEF on the basis of the achievement of such milestones. The Partnership Agreement shall be in form and substance satisfactory to the Association and shall, among other things:

(a) require that the proceeds of the Grant be used to finance only the activities and expenditures included in the Beneficiary's proposal and reflected in the Partnership Agreement;

(b) require that the Beneficiary: (i) carries out the activities financed by the Grant with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (ii) maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to such activities;

(c) require that the goods, works and services to be financed from the proceeds of the Grant shall: (i) be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement; and (ii) be used exclusively in the carrying out of the activities set out in the Beneficiary's proposal and the Partnership Agreement;

(d) require, in the case of Community School Grants, that the community provides on a voluntary basis, any land on which such school will be constructed;

(e) reserve for BEF the right to:

(i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and construction included in the activity financed by the Grant, the operations thereof and any relevant records and documents;

(ii) obtain all information as BEF or the Association shall reasonably request regarding the administration, operation and financial conditions of the Beneficiary; and

(iii) suspend or terminate the right of the Beneficiary to use the proceeds of the Grant upon the failure by the Beneficiary to perform any of its obligations under the Partnership Agreement.

C. Environmental and Social Safeguards

1. The Project Implementing Entity shall cause BEF to ensure that all construction works undertaken by IPs and PECs under the Project, shall be undertaken in accordance with the environmental and social risks mitigation, monitoring and other measures set forth in the Environmental Management Framework in accordance with the objectives, policies, procedures, time schedule and other provisions set forth therein, and shall not

take or permit to be taken any action which would prevent or interfere with such implementation.

2. The Project Implementing Entity shall cause BEF to refrain from taking any action which shall prevent or interfere with the carrying out of the recommendations of the Environmental Management Framework.

3. The Project Implementing Entity shall cause BEF to ensure that activities financed under the Project shall not involve any land acquisition or involuntary resettlement of the local population and/or businesses. In the event that any land is required for the Project, the Recipient shall, in consultation with the Association ensure that such land shall be obtained through either private voluntary donation with adequate compensation paid by the community involved, or from available government land.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Project Implementing Entity shall, and shall cause BEF to monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 4.08(b) of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. Notwithstanding the requirement in Section II. A(1) of the Schedule to this Agreement, the Project Implementing Entity shall ensure that a comprehensive progress report, covering the first 24 months of the Project, is prepared by an external evaluation agency appointed under terms of reference acceptable to the Association and furnished to the Association not later than February 1, 2009.

3. The Project Implementing Entity shall cause to be provided to the Recipient not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall cause BEF to maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of BEF, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall cause BEF to have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of BEF. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing 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 Schedule.
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 and Works

1. **National Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works 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 national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of the bid;
 - (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) bids shall not be rejected merely on the basis of a comparison with any pre-determined 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 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) cost estimates shall be prepared on the basis of market rates;
- (xii) contracts shall be awarded to the lowest evaluated and qualified bidder; and
- (xiii) post-bid negotiations shall not be allowed with the lowest evaluated or any other bidders.

2. **Other Methods of Procurement of Goods and Works.** 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:

<u>Procurement Method</u>
(a) Shopping
(b) Community Participation in Procurement

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.

Procurement Method
(a) Selection Based on Consultant's Qualifications
(b) Quality Based Selection
(c) Single Source Selection

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. Other Undertakings

1. Unless the Association shall otherwise agree, the Project Implementing Entity shall, through a one-line budgetary transfer to BEF each year, provide adequate funds from its own resources to cover teacher salaries, instructional materials costs, monitoring and supervision costs and other recurrent costs of each Community School, from the third year onwards of such school's operations.