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**CREDIT NUMBER 4177-PAK**

# **Program Agreement**

**(North West Frontier Province Development Policy Credit)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**NORTH WEST FRONTIER PROVINCE**

**Dated June 1, 2006**

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**CREDIT NUMBER 4177-PAK**

**PROGRAM AGREEMENT**

AGREEMENT dated June 1, 2006, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and NORTH WEST FRONTIER PROVINCE acting by its Governor (“NWFP” or the “Program Implementing Entity”) (the “Program Agreement”) in connection with the Financing Agreement of same date between Islamic Republic of Pakistan (the “Recipient) and the Association (the “Financing Agreement”). The Association and the Program 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 Program Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

**ARTICLE II - PROGRAM**

2.01. NWFP declares its commitment to the objectives of the Program. To this end, NWFP shall carry out the Program 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 Program.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the NWFP shall otherwise agree, NWFP shall carry out the Program 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 years after the date of this Agreement.

**ARTICLE IV – REPRESENTATIVE; ADDRESSES**

4.01. NWFP’s Representative is the Secretary, Finance Department, NWFP.

4.02. The Association's Address is:

For the Association:

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. NWFP's Address is:

Planning and Development Department  
Government of North West Frontier Province  
Peshawar, Pakistan

Cable Address:	Facsimile:
DEVELOPMENT Peshawar, Pakistan	091-9210354

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John W. Wall

Country Director  
Pakistan

NORTH WEST FRONTIER PROVINCE

By /s/ Mushtaq Malik

Authorized Representative

## **SCHEDULE**

### **Actions Taken by NWFP under the Program**

#### **I. Economic Growth**

1. The Investment Facilitation Council and the Investment Facilitation Committee have been established.

2. In furtherance of a demand driven approach to the operation of technical and vocational training institutes, representatives of the private sector have been included in, and appointed chairpersons of, the management committees of such institutions.

3. With a view to promoting investment, the Sarhad Development Authority has: (a) been restructured to include an investment facilitation center; (b) become the secretariat to the Investment Facilitation Council and the Investment Facilitation Committee; and (c) created management committees for industrial estates consisting of, and led by, private sector representatives.

4. NWFP's shareholding in the Bank of Khyber has been reduced to 65%.

5. With a view to strengthening the agricultural sector: (a) public expenditures for agriculture have been realigned with the priorities set out in the Agricultural Policy; (b) steps have been initiated to establish an autonomous agricultural research system consistent with said priorities; (c) at least 75 Farm Services Centers have been established; and (d) District Agricultural Coordination Forums have been established in all districts.

#### **II. Fiscal Reforms**

6. With a view to achieving fiscal sustainability and sound expenditure composition, the FY2005/06 budget outcome has been aligned with the medium term budget framework so as to: (a) contain the overall fiscal deficit within the target level of 0.8% of PGDP or Rs.4.3 billion; (b) maintain the throw-forward ratio of development projects at or below the FY2004/05 level of 3.0 years; and (c) contain the establishment cost within the FY2004/05 level of 3.6% of PGDP.

7. With a view to improving tax administration and strengthening the revenue base: (a) a system of bonus payments to excise and taxation staff linked to revenue collection performance has been introduced; and (b) tax facilitation centers with support from the private sector for the collection of selected taxes have been opened.

III. Human Development and Social Service Delivery

8. Free textbooks have been distributed to all primary school students, and all girl middle and high school students, in government schools.

9. With a view to improving the quality of education: (a) it has been ensured that functional PTAs with authority to monitor teacher attendance and utilize IM&R funds will continue to exist in all primary schools; (b) PTAs have been made fully functional with similar authority in twenty percent (20%) of middle and high schools; and (c) IM&R funds have been released by the districts to all existing PTAs.

10. The coverage of TB (tuberculosis) daily observation therapy sessions (DOTS) has been extended from 17 to 24 districts, and 2500 new lady health workers have been deployed to district hospitals.

11. Contracts have been entered into between NWFP and at least three (3) NGOs/private sector organizations, for the provision of HIV/AIDS preventive services.

IV. Governance Reforms

12. The NWFP provincial budget for FY2005 has been published in a format based on the new chart of accounts.

13. A road map has been prepared satisfactory to the Association for procurement reform, including the revision of the Procurement Law to better align it with international best practice, specifying the time-frame, resources and responsible staff needed for such reform.

14. A computerized human resource management database has been developed and put into operation for the provision of reliable and timely data for personnel management and planning.

15. Inconsistencies in the designation of the appointing authority for different levels of officers and staff of the departments devolved to the districts have been removed.