

CONFORMED COPY

CREDIT NUMBER 2464 PAK

Project Agreement
(Second Family Health Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF BALOCHISTAN

and

PROVINCE OF PUNJAB

Dated April 16, 1993

CREDIT NUMBER 2464 PAK

PROJECT AGREEMENT

AGREEMENT, dated April 16, 1993, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and PROVINCE OF BALOCHISTAN and PROVINCE OF PUNJAB acting by their respective Governors (hereinafter referred to as Balochistan and Punjab, respectively, and collectively as the Provinces and each as a Province).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Islamic Republic of Pakistan (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to thirty-five million Special Drawing Rights (SDR 35,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Provinces agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) the proceeds of the credit provided for under the Development Credit Agreement (with the exception of the amount allocated for Part D of the Project) will be made available to the Provinces; and

WHEREAS the Provinces, in consideration of the Association's entering into the Development Credit Agreement with the Borrower,

have agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) The Provinces declare their commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out their activities under the Project through their respective Departments of Health with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public health practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for their activities under the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the Provinces shall otherwise agree, the Provinces shall carry out their activities under the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. 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 1 to this Agreement.

Section 2.03. The Provinces shall, each in respect of its activities under the Project, carry out 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).

Section 2.04. (a) The Provinces shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of their obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) The Provinces shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by the Provinces of their obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) The Provinces shall maintain records and accounts adequate to reflect in accordance with sound accounting practices their operations and financial condition in respect of the Project.

(b) The Provinces shall:

- (i) have such records and accounts 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 nine 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; 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 IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of the Provinces thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify the Provinces of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

Except as provided in Part C hereof, equipment, furniture, vehicles, medicine and contraceptives shall be procured 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).

Part B: Preference for Domestic Manufacturers

In the procurement of equipment, furniture, vehicles, medicine and contraceptives in accordance with the procedures described in Part A hereof, goods manufactured in Pakistan may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Contracts for civil works may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Except as provided in paragraphs 3 and 4 hereof, equipment, furniture, medicine and contraceptives estimated to cost the equivalent of less than \$200,000 per contract up to an aggregate amount not to exceed the equivalent of \$1,700,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. About twelve vehicles estimated to cost an aggregate amount not to exceed the equivalent of \$200,000, and equipment, furniture, medicine, contraceptives and supplies estimated to cost the equivalent of less than \$50,000 per contract up to an aggregate amount not to exceed the equivalent of \$1,200,000, may be 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 satisfactory to the Association.

4. Medicines and medical equipment, estimated to cost an aggregate amount not to exceed the equivalent of \$5,300,000, may be procured from the United Nations International Children's Emergency Fund (UNICEF) under arrangements satisfactory to the Association, and contraceptives, estimated to cost an aggregate amount not to exceed the equivalent of \$6,700,000, may be procured from the United Nations Population Fund (UNFPA) under arrangements satisfactory to the Association.

Part D: Review by the Association of Procurement

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to the first contract for works to be awarded in each of the Provinces and thereafter each contract for works estimated to cost the equivalent of \$200,000 or more, and each contract awarded under Part A hereof, 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 3 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals 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 the Borrower and the Provinces in the carrying out of their respective activities under the Project, the Borrower and the Provinces shall each 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 2

Implementation Program

1. Each Province shall: (a) implement a phased plan satisfactory to the Association which shall ensure the provision, through about one-half of its health facilities by December 31, 1994, and through all such facilities, by July 31, 1996, of adequate family planning services; (b) approve by July 31, 1994, an essential drugs list and introduce such list by December 31, 1994; (c) ensure the acquisition and availability of all sites required for the construction of facilities to be constructed in its territory under the Project, not later than June 30, 1995; (d) establish and adequately staff, not later than December 31, 1993, a Provincial staff development team to be responsible for the formulation and implementation of the training provided under the Project; (e) undertake a review of the incentives and service conditions of female paramedical staff, both during training and employment, by July 31, 1994, agree on the findings of such review with the Association and start the implementation of agreed measures by December 31, 1994; and (f) undertake a review of the administrative and staffing implications of the reorganization of the communicable disease control program to be carried out under Part A 8 of the Project by July 31, 1994, agree on the findings of such review with the Association by December 31, 1994, and start the implementation of agreed measures by July 31, 1995.

2. Each Province shall: (a) establish the PHDC, included in its territory under Part B (1) (a) of the Project, in accordance with operational arrangements and staffing plan satisfactory to the Association; (b) ensure the assignment of about 75% of the staff included in such staffing plan not later than December 31, 1993, and the assignment of the remaining staff by December 31, 1994; and (c) ensure the assignment of about 75% of the staff required for each DHDC to be established under Part B (1) (a) of the Project during the first year of operation of such DHDC and the assignment of the remaining staff during the second year of such operation.

3. Each Province shall: (a) enter into suitable arrangements with appropriate local institutions for obtaining technical support for the Project to begin in the first year of Project implementation and to continue until Project completion; and (b) not later than March 31, 1994, sign contracts with consultants for the purposes of improving the institutional capabilities for, and the quality and efficiency of, health management under Part C of the Project.

4. Each Province shall:

(a) together with the Borrower and the Association and not later than March 31 in each year:

(i) review the Province's activities carried out in the last preceding year under its health development program for FY 94-98, including the Project; and

(ii) review and agree on the Province's activities to be carried out in the next following year under such health development program including the Project, together with the funding requirements therefor; and

(b) ensure that any funding requirements agreed for a given year under paragraph (a)(ii) above will be reflected in the budget proposal for such year.

5. Each Province shall ensure that: (a) adequate development and recurrent budgetary allocations will be made every year for primary and rural health care services to be provided under its health development program for FY 94-98, including the Project; (b) proposals for such recurrent budgetary allocations, including those to be made under the Project, will incorporate the recommendations of the joint review carried out by the Borrower, the Province and the Association pursuant to the provisions of paragraph 4 (a) above and reflect the real rate of growth of the gross domestic product; and (c) in making additional such budgetary allocations, preference will be given to basic health services and non-salary items.

6. Each Province shall: (a) subject to the relevant rules currently under review and by June 30, 1994, delegate powers to the District Health Officers to hire, transfer and promote staff up to the level of the Borrower's Basic Pay Scale 12 in their respective districts; and (b) ensure that financial powers for authorizing current expenditures for the health sector including those under the Project will be delegated in practice to the appropriate levels in the districts in a manner satisfactory to the Association.

7. Each Province shall, in consultation with the Association and not later than December 31, 1993, issue an official statement setting forth the Province's health sector policy, strategy and priorities.

8. Each Province shall prepare, and furnish to the Association, semi-annual progress reports on the implementation of the Project in the territories of the Province.

9. Each Province shall, in consultation with the Association and in accordance with terms of reference and methodology satisfactory to the Association, undertake and complete by May 31, 1996 a mid-term review of the Project, and, shall, promptly thereafter, carry out the recommendations of such review in a manner acceptable to the Association.

