

Public Disclosure Authorized

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CREDIT NUMBER 4134 - PAK

Project Agreement

(Earthquake Emergency Recovery Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AZAD JAMMU AND KASHMIR

and

NORTH WEST FRONTIER PROVINCE

Dated December 22, 2005

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PROJECT AGREEMENT

Agreement dated December 22, 2005, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and AZAD JAMMU AND KASHMIR and NORTH WEST FRONTIER PROVINCE (collectively referred to as the “Project Implementing Entities” and individually as 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 Entities 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. Each Project Implementing Entity declares its commitment to the objectives of the Project. To this end, each Project Implementing Entity shall carry out its activities under the Project 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 each Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its activities under 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 years after the date of this Agreement.

ARTICLE IV – REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entities’ Representatives are, in the case of AJK, Additional Chief Secretary, Planning and Development Department, and in the case of NWFP, the Additional Chief Secretary (Development).

4.02. The Association's Address is:

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 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 Entities' Addresses are:

For AJK:

Planning and Development Department
Government of Azad Jammu and Kashmir
Muzafarabad
Pakistan

Facsimile:

92-588-10-32512

For NWFP:

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

Facsimile:

92-91-9210354

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Abid Hassan

Acting Country Director
Pakistan

AZAD JAMMU AND KASHMIR

By /s/ Muhammad Saleem Sethi

Authorized Representative

NORTH WEST FRONTIER PROVINCE

By /s/ Syed Manzoor Ali Shah

Authorized Representative

SCHEDULE

Execution of the Project Implementing Entities' Activities under the Project

Section I. Institutional and Other Arrangements

A. Overall Project Implementation and Coordination

1. The governments of NWFP and AJK (the "Project Implementing Entities") shall implement the Project in their respective jurisdictions in accordance with the Operations Manual and the Environmental and Social Screening and Assessments Framework, and except as the Association shall otherwise agree, shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project. In implementing their respective activities under the Project, each Project Implementing Entity shall work in coordination with ERRA.

2. Each Project Implementing Entity shall establish a steering committee (in the case of AJK, the "AJK Earthquake Steering Committee" and in the case of NWFP, the "NWFP Earthquake Steering Committee") under the chairmanship of their respective chief secretaries/additional chief secretaries. The Steering Committees shall each be responsible for overseeing provincial planning for activities under the Project, approving work plans and monitoring Project implementation progress within their respective jurisdictions.

3. Each Project Implementing Entity shall establish and, throughout implementation of the Project, maintain with functions, staffing and resources satisfactory to the Association a reconstruction agency (in the case of AJK, the "AJK Reconstruction Agency"; and in the case of NWFP, the "NWFP Reconstruction Agency"), to oversee the day-to-day coordination, monitoring, financial management and reporting, procurement, implementation, and administration of their respective activities under the Project. The Reconstruction Agencies shall work in close coordination with the relevant line departments, local governments, District Reconstruction Units, and private sector/community level entities within their respective jurisdictions and in performing their functions shall report to their respective Steering Committees and to ERRA on the progress in Project implementation. The Reconstruction Agencies shall also be responsible for reviewing work plans received from relevant line departments, District Reconstruction Units and private sector/community level entities within their respective jurisdictions, and submitting them to their respective Steering Committees for approval.

4. Each Project Implementing Entity shall establish at the district level, District Reconstruction Units in each Affected Area, to support: (i) the preparation of work plans for submission to the respective Reconstruction Agencies; (ii) the implementation of small contracts in coordination with local governments, line departments and private sector/community level entities; and (iii) coordinating the implementation of the Project at each respective district level. In carrying out its functions, each District Reconstruction Unit shall report to its respective Reconstruction Agency.

5. The Project Implementing Entities shall take steps to ensure that, throughout implementation of the Project, adequate levels of staffing are maintained at all levels of Project implementation, as needed for the Project and agreed with the Association from time to time.

B. Environmental and Social Safeguards

1. Without prejudice to the generality of paragraph A.1 above, the Project Implementing Entities shall ensure that all civil works under the Project, shall be undertaken in accordance with design standards and technical specifications satisfactory to the Association and the relevant provisions of the Environmental and Social Screening and Assessments Framework, and shall not take or permit to be taken any action which would prevent or interfere with such implementation.

2. The Project Implementing Entities shall refrain from taking any action which shall prevent or interfere with the carrying out of the recommendations of the Environmental and Social Screening and Assessments Framework.

3. The Project Implementing Entities shall 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 or any resettlement is to be carried out, the Project Implementing Entities shall, in consultation with the Association ensure that such land shall be obtained and such resettlement carried out in accordance with plans agreed with the Association.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. Each Project Implementing Entity shall monitor and evaluate the progress of the Project within its respective jurisdiction and prepare Project Reports for its respective activities under 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 quarter, and shall be furnished to ERRA not later than fifteen (15) days after the end of the period covered by such report for incorporation and forwarding by the Recipient through ERRA to the Association on a quarterly basis, of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient through ERRA 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. Each Project Implementing Entity shall maintain a financial management system and prepare financial reports in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its respective activities under the Project.

2. Each Project Implementing Entity shall have its financial reports referred to above audited on a regular basis, but at least once every fiscal year, by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. The audited financial reports for each such period shall be furnished not later than thirty (30) days after the end of each such period to ERRRA for inclusion in the financial statements to be submitted by ERRRA to the Association in accordance with the Financing Agreement.

Section III. Procurement

All goods, works and services required for each Project Implementing Entities' respective activities under the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.