

Public Disclosure Authorized

OFFICIAL DOCUMENTS

KP/FATA/BALOCHISTAN MDTF GRANT NUMBER TFA3301-PK

KP/FATA/Balochistan Multi-Donor Trust Fund Project Agreement

(Governance and Policy Project for Federally Administered Tribal Areas)

between

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

and

FEDERALLY ADMINISTERED TRIBAL AREAS

Dated *January 18*, 2017

KP/FATA/BALUCHISTAN MDTF GRANT NUMBER TFA3301-PK
KP/FATA/BALUCHISTAN MULTI-DONOR TRUST FUND
PROJECT AGREEMENT

AGREEMENT dated *January 18,* 2017, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and INTERNATIONAL DEVELOPMENT ASSOCIATION (collectively, "World Bank"), acting as administrator of the KP / FATA / Balochistan Multi-Donor Trust Fund, and the FEDERALLY ADMINISTERED TRIBAL AREAS ("FATA" or "Project Implementing Entity") ("Project Agreement") in connection with the Grant Agreement ("Grant Agreement") of same date between the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and the World Bank. The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — PROJECT

- 2.1. 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 in accordance with the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.2. Without limitation upon the provisions of Section 2.01 of this Project Agreement, and except as the World Bank 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 Project Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity's Representative is the Director General (Projects) of the FATA Secretariat.

3.02. The World Bank's Address is:

International Bank for Reconstruction and Development
International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Telex:

Facsimile:

248423 (MCI) or
64145 (MCI)

1-202-477-6391

3.03. The Project Implementing Entity's Address is:

FATA Secretariat
Warsak Road
Peshawar, Khyber Pakhtunkhwa
Islamic Republic of Pakistan

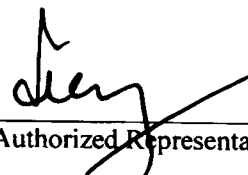
Facsimile:

92-91-9212833

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

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

By



Authorized Representative

Name: RATCHA MUTHU ILLANGOVAN

Title: COUNTRY DIRECTOR

FEDERALLY ADMINISTERED TRIBAL AREAS

By



Authorized Representative

Name: DR FIDA MUHAMMAD WAZIR

Title: ADDITIONAL CHIEF SECRETARY

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall vest the overall responsibility for the implementation of Project activities in its Finance Department ("FD") and the Planning and Development Department ("P&DD") as set out in the Project Operations Manual. To this end, the Project Implementing Entity shall:
 - (a) establish by no later than three (3) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, a Project Steering Committee ("PSC"), headed by the Additional Chief Secretary of the P&DD, with composition and terms of reference satisfactory to the World Bank. The PSC shall be responsible for providing oversight of the Project activities, including periodic review of Project activities, identifying problems and corrective measures, providing policy guidance, and coordinating inter-departmental efforts. The PSC shall meet at least twice every year; and
 - (b) establish no later than three (3) months after the Effective Date and thereafter maintain throughout the period of implementation (i) an Operations Support Unit ("OSU") headed by a coordinator, and (ii) appoint, no later than three (3) months after the Effective Date, the aforementioned coordinator, two finance officers, two account assistants and two procurement assistants to the OSU, all with qualifications, experience and on terms of reference satisfactory to the World Bank. The OSU shall be responsible for, *inter alia*, procurement and contract management, financial management, internal audit, monitoring and evaluation, strategic communications, gender, information and communication technology, and organization of learning activities; and
 - (c) establish no later than three (3) months after the Effective Date and thereafter maintain throughout the period of implementation (i) a Governance Reform Support Unit ("GRSU") headed by a governance specialist; and (ii) appoint, no later than three (3) months after the Effective Date, the aforementioned governance specialist with qualifications, experience and on terms of reference satisfactory to the World Bank. The GRSU shall be responsible for, *inter alia*, coordination of technical support and monitoring of the implementation and results of the FATA Long-Term Governance Action Plan (2015-2025).

2. The Project Implementing Entity shall establish by no later than one (1) month after the Effective Date and thereafter maintain throughout the implementation of the Project: (a) a grievance redress mechanism with guidelines and procedures satisfactory to the World Bank; and (b) a grievance redress committee with composition and terms of reference satisfactory to the World Bank.

B. Project Operations Manual

1. The Project Implementing Entity shall:
 - (a) implement the Project in accordance with the Project Operations Manual; provided, however, that in the event of conflict between the provisions of said manual, on the one hand, and those of this Project Agreement or the Grant Agreement, on the other hand, the provisions of the Project Agreement and the Grant Agreement shall govern; and
 - (b) not amend, suspend, waive, and/or void any provision of the Project Operations Manual, whether in whole or in part, without the prior written agreement of the World Bank.

C. Annual Work Plans and Budget

1. The Project Implementing Entity shall, throughout Project implementation, furnish to the World Bank for approval as soon as available, but in any case no later than three (3) months before the start of each fiscal year, an annual work plan and budget for the Project for each subsequent fiscal year, of such scope and detail as the World Bank shall have reasonably requested, except for the annual work plan and budget for the first fiscal year which shall be furnished prior to the commencement of any activities under the Project.
2. The Project Implementing Entity shall, no later than one (1) month after furnishing each annual work plan and budget referred to in the preceding paragraph to the World Bank, finalize and adopt such work plan and budget, ensuring that the same is approved by the PSC, and thereafter ensure that the Project is carried out in accordance with such work plan and budget as agreed in writing with the World Bank.

D. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the World Bank. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient and the World Bank no later forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, 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 the Project. Further to this end, the Project Implementing Entity shall prepare and adopt an updated Financial Management Manual in form and substance satisfactory to the World Bank, by no later than three (3) months after the date of this Project Agreement; ensuring that the same Financial Management Manual shall include, *inter-alia*, a strong and comprehensive internal control framework for Project activities; cash and bank management; payroll processing; payment processing and service standards.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the World Bank no later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the respective quarter, in form and substance satisfactory to the World Bank.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the World Bank no later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the World Bank.
4. Without limitation on the provisions of paragraphs 2 and 3 of this Section II.B, the Project Implementing Entity shall, no later than three (3) months after the Effective Date, appoint a chartered financial accounting firm to undertake periodic internal

audits of the Project, pursuant to procedures provided for in Section III below, and maintenance, throughout the period of Project implementation, with qualifications and terms of reference satisfactory to the World Bank.

Section III. Procurement

1. All goods, non-consulting services and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement.
2. The Project Implementing Entity shall by no later than three (3) months after the Effective Date, and thereafter maintain throughout the period of Project implementation:
 - (a) a procurement documentation and record keeping system, including a publicly accessible website, in a format agreed with the World Bank, showing, *inter alia*, the Project procurement plans, the status of procurement of various contracts (the summary of proposals/bid evaluations and awards disclosed proactively in accordance with protocols agreed in the Project Operations Manual), contract performance and payment delays, and a list of procurement complaints and status thereof; and
 - (b) a system for the handling of procurement complaints, in a manner and substance acceptable to the World Bank, which system shall include, *inter alia*, the maintenance of a complaint database, a standard protocol setting forth triggers for carrying out investigations, and a sanctions regime. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the World Bank's prescribed complaint redress mechanism shall apply.