Project Agreement

(Competitive Industries Project for Khyber Pakhtunkhwa)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the KP/FATA/Balochistan
Multi Donor Trust Fund

and

KHYBER PAKHTUNKHWA

Dated September 17, 2013
PROJECT AGREEMENT

AGREEMENT dated September 17, 2013, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator of the KP/FATA/Balochistan Multi Donor Trust Fund ("World Bank"), and KHYBER PAKHTUNKHWA ("Project Implementing Entity") ("Project Agreement") in connection with the KP/FATA/Balochistan Multi Donor Trust Fund Grant Agreement ("MDTF Grant Agreement") of even date between the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient) and the World Bank. The World Bank and the Project Implementing Entity hereby agree as follow:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in the MDTF Grant Agreement) constitute an integral part of this Agreement. To this end, all obligations and responsibilities of the Recipient set forth in Article II, Sections 4.02 through 4.06 of Article IV, and Articles V, VI and VII of the Standard Conditions, as well as any references therein to the MDTF Grant Agreement, shall also be construed, mutatis mutandis, as obligations and responsibilities of the Project Implementing Entity and references to this Agreement, respectively.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the MDTF Grant Agreement (including the appendix thereto) or the Standard 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: (a) carry out the Project through its Department of Industries and Technical Education with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, satisfactory to the World Bank; and (b) provide, or cause to be provided, 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 World Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provision of the Schedule to this Agreement and Article II of the Standard Conditions.

2.03. The Project Implementing Entity shall ensure that the proceeds of the Grant are used exclusively to finance expenditures which, except as otherwise provided in
the MDTF Grant Agreement, satisfy the following requirements ("Eligible Expenditures"):

(a) the payment is for the reasonable costs of goods, non-consulting services, consultants’ services, Training and Workshops and Incremental Operating Costs required for the Project, to be financed out of the proceeds of the Grant and procured, all in accordance with the provisions of the MDTF Grant Agreement;

(b) the payment is not prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(c) the payment: (i) is made on or after the date of the MDTF Grant Agreement, except that withdrawals up to an aggregate amount not to exceed $1,500,000 equivalent may be made for payments for Eligible Expenditures incurred prior to said date but on or after March 15, 2013; and (ii) except as the World Bank may otherwise agree, is for Eligible Expenditures incurred prior to the closing date.

ARTICLE III — EFFECTIVENESS; TERMINATION

3.01. This Agreement shall come into force and effect on the date upon which the MDTF Grant Agreement becomes effective.

3.02. This Agreement and all obligations of the World Bank and the Project Implementing Entity thereunder shall terminate on the date on which the MDTF Grant Agreement shall terminate in accordance with its terms, and the World Bank shall promptly notify the Project Implementing Entity thereof.

3.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation, suspension or refund under the Standard Conditions, for a period of ten (10) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is Secretary Industries and Technical Education of Khyber Pakhtunkhwa.

4.02. The World Bank’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America
4.03. The Project Implementing Entity's Address is:

Industries and Technical Education Department
Civil Secretariat,
Peshawar, Khyber Pakhtunkhwa
Islamic Republic of Pakistan

Facsimile:
92-91-9210896

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

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

By

[Signature]

Authorized Representative

Name: Houd Benmamou
Title: Secretary Director

KHYBER PAKHTUNKHWA

By

[Signature]

Authorized Representative

Name: Jajid Khan Jadoon
Title: Secretary
Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall be responsible for the management, coordination, implementation, monitoring and evaluation of the Project in accordance with the arrangements described in this Section I.A.

Project Steering Committee

2. The Project Implementing Entity shall maintain, throughout the period of implementation of the Project, a Project Steering Committee (the "Project Steering Committee"), which committee shall: (a) be headed by the Additional Chief Secretary of Khyber Pakhtunkhwa and comprised of, inter alia, (i) the Secretary of Khyber Pakhtunkhwa's Department of Industries and Technical Education (or his/her nominee); (ii) the Secretary of the Department of Mines and Minerals of Khyber Pakhtunkhwa (or his/her nominee); (iii) the Secretary of the Agriculture Department of Khyber Pakhtunkhwa (or his/her nominee); (iv) PASDEC; and (v) two private sector representatives; and (b) be granted with such functions, powers, financial resources and competences, satisfactory to the World Bank, as shall be required for providing the overall strategic policy guidance, coordination and oversight of the Project implementation by the Project Implementing Entity, including, in particular, endorsing the preliminary list of machinery to be procured under Parts A.1 and A.2 of the Project as well as the preliminary list of value chain analysis and feasibility studies to be carried out under Parts B.1 and B.2 of the Project.

KP-PMU

3. The Project Implementing Entity shall maintain, throughout the period of implementation of the Project, a Project Management Unit (the "KP-PMU") within its Department of Industries and Technical Education, which unit shall: (a) be headed by a qualified and experienced Project director, satisfactory to the World Bank, assisted by competent personnel, under terms of reference and in sufficient numbers acceptable to the World Bank, including, inter alia, (i) an accounts officer and (ii) an accountant; and (b) be granted with such functions, powers, financial resources and competences, satisfactory to the World Bank, as shall be required for the daily management, coordination, implementation, monitoring and evaluation of the Project.
4. The Project Implementing Entity shall select and engage, by no later than three (3) months after the effectiveness date of this Agreement, and thereafter retain throughout the period of implementation of the Project: (a) a procurement officer; (b) a marble industry expert; and (c) a horticulture expert in the KP-PMU to fulfill the respective fiduciary duties of the Project Implementing Entity, with qualifications and under terms of reference satisfactory to the World Bank.

Project Unit

5. The Project Implementing Entity shall ensure that a Project Unit (the "Project Unit") is maintained at the Department of Mines and Minerals of Khyber Pakhtunkhwa throughout the period of implementation of the Project, which unit shall: (a) be headed by a qualified and experienced Project manager, satisfactory to the World Bank, and assisted by competent personnel, under terms of reference and in sufficient numbers acceptable to the World Bank; and (b) be granted with such functions, powers, financial resources and competences, satisfactory to the World Bank, as shall be required for providing technical support to the Project Implementing Entity in implementing Part A of the Project.

B. PASDEC-Agreement

1. The Project Implementing Entity shall, and shall cause PASDEC to, by no later than one (1) month after the effectiveness date of this Agreement, enter into an agreement with PASDEC (the "PASDEC-Agreement"), under terms and conditions satisfactory to the World Bank, including those set forth in paragraph 2 below, in order to allocate functions, responsibilities and arrangements for PASDEC to collaborate with the Project Implementing Entity in its implementation of Part A of the Project.

2. Pursuant to paragraph 1, the PASDEC-Agreement shall include, inter alia, the following terms and conditions that:

(a) PASDEC shall: (i) declare its commitment to the objectives of the Project; (ii) undertake to conduct its operations and affairs with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices satisfactory to the World Bank; and (iii) provide, promptly as needed, the facilities and other resources required for the purpose;

(b) the Project Implementing Entity shall procure the equipment required for the implementation of Part A of the Project, and, thereafter, make the equipment available to PASDEC for its exploitation and maintenance pursuant to the Operations Manual and the ESMP. To this end, PASDEC
shall undertake to comply, *mutatis mutandis*, with the provisions of Section 2.02, 2.04, 2.05, 2.06, 2.08 and 2.09 of the Standard Conditions;

(c) PASDEC shall make the equipment available for rental to marble enterprises in Khyber Pakhtunkhwa, in accordance with the terms and conditions as set forth in the Operations Manual, the EMSP and lease agreements acceptable to the World Bank;

(d) PASDEC shall make available, throughout the period of implementation of the Project, the land and, if any, the buildings and structures attached thereon, which are owned by PASDEC in Risalpur Marble City, as satisfactory to the World Bank, for the operating of the machinery pool and CFTC under Part A of the Project, in accordance with the terms and conditions as set forth in the Operations Manual and the ESMP;

(e) PASDEC shall carry out its activities under Part A of the Project in compliance with the Operations Manual, the ESMP and the Anticorruption Guidelines and shall ensure that the beneficiaries of the Project it engages comply with the Operations Manual, the ESMP and the Anticorruption Guidelines;

(f) PASDEC shall: (i) establish and/or maintain satisfactory procedures and operational policies to allow the Project Implementing Entity, the World Bank and/or the Donors to carry out supervision and monitoring activities of PASDEC under Part A of the Project; (ii) accept random and unannounced physical or documentary inspections by the Project Implementing Entity’s, the World Bank’s and/or the Donors’ representatives; and (iii) prepare and furnish to the Project Implementing Entity’s, the World Bank’s and/or the Donors’ representatives all such information as any of such representatives shall reasonably request relating to the foregoing; and

(g) the Project Implementing Entity shall have the right to suspend or terminate the PASDEC-Agreement:

(i) upon failure of PASDEC to perform its obligation under the PASDEC-Agreement, or upon notice by the World Bank that it intends to exercise any of its remedies under Section 4.02, 4.03 and/or 4.05 of the Standard Conditions; or

(ii) upon the World Bank declaring PASDEC ineligible under the Anti-Corruption Guidelines.
3. The Project Implementing Entity shall, and shall cause PASDEC to, implement Part A of the Project in accordance with the provisions of the PASDEC-Agreement.

4. The Project Implementing Entity shall exercise its rights under the PASDEC-Agreement in such a manner as to protect the interest of the Recipient and the World Bank, and to accomplish the purposes of the Grant. Except as the World Bank, shall otherwise agree, the Project Implementing entity shall not assign, amend, abrogate, void, waive or suspend the PASDEC-Agreement (nor let PASDEC effect such assignment, amendment, abrogation, voidance, waiver or suspension), whether in whole or in part, without the prior concurrence of the World Bank.

3. In the event of a conflict between the provisions of the PASDEC-Agreement and those of the MDTF Grant Agreement and/or this Agreement, the provisions of the latter agreements shall prevail.

C. Grievance Redressal Mechanism

1. The Project Implementing Entity shall maintain throughout the period of implementation of the Project the Grievance Redressal Mechanism for Project stakeholders to file, and for the Project Implementing Entity to process and address, any complaints arising out of, or related to, the implementation of the Project.

2. The Project Implementing Entity shall maintain a detailed description of the existing mechanism and its procedural guidelines on its official website, and shall refrain from amending, waiving, suspending, abrogating or terminating, whether in whole or in part, the approved grievance complaint procedures and/or the affected parties’ legal standing to file any such complaints, without the prior written concurrence of the World Bank.

D. Operations Manual

1. The Project Implementing Entity shall, and shall cause PASDEC to, implement the Project in accordance with the Operations Manual.

2. The Project Implementing Entity shall not amend, waive, void, suspend or abrogate any provision of the Operations Manual (nor let PASDEC effect such, amendment, waiver, voidance, suspension or abrogation), whether in whole or in part, without the prior concurrence of the World Bank. In the event of a conflict between the provisions of the Operations Manual and those of the MDTF Grant Agreement and/or this Agreement, the provisions of the latter agreements shall prevail.
E. Anti-Corruption

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

F. Safeguards

1. The Project Implementing Entity shall, by no later than one (1) month after the effectiveness date of this Agreement, prepare, adopt and locally disclose the ESMP as satisfactory to the World Bank, and thereafter shall, and shall cause PASDEC to, implement the Project in accordance/compliance with the Safeguards Instruments, and pursuant to the objectives, policies, procedures, time schedule and other provisions set forth therein, in a manner and substance satisfactory to the World Bank.

2. The Project Implementing Entity shall not amend, waive, suspend or abrogate any provision of the Safeguards Instruments (nor let PASDEC effect such amendment, waiver, suspension or abrogation), whether in whole or in part, without the prior concurrence of the World Bank. In the event of a conflict between the provisions of the Safeguards Instruments and those of this Agreement and/or the MDTF Grant Agreement, the provisions of the latter agreements shall prevail.

G. Communications Campaign & Project Information

The Project Implementing Entity shall implement a communications campaign in order to provide the Project stakeholders with all relevant information regarding the Project components and benefits, so as to ensure transparency, fairness and accountability in the implementation of the Project, in particular the PASDEC's exploitation and maintenance of the equipment financed by the Project.

H. Donors Visibility and Visit

1. The Project Implementing Entity shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Project Implementing Entity shall, upon the World Bank's request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Project Implementing Entity's territory for purposes related to the Project.

3. Notwithstanding the Project Implementing Entity's rights to copyright any books, publications or other copyrightable material developed in the course of, or under,
the Project, the Project Implementing Entity shall grant to the Donors and/or the World Bank royalty-free, non-exclusive and irrevocable rights to reproduce, publish, or otherwise use, and to authorize others to use, said copyrightable materials for governmental or institutional purposes, respectively.

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 2.06(b)(i) of the Standard Conditions and on the basis of indicators provided for in Section II.A.1(b) of Schedule 2 to the MDTF Grant Agreement. Each such Project Report shall cover the period of six (6) months, and shall be furnished to the Recipient and the World Bank not later one forty-five (45) days after the end of the period covered by such Project Report.

2. The Project Implementing Entity shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) month after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements for the Project 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.

2. Without limitation on the provision of Part A of this Section, the Project Implementing Entity shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Project Implementing Entity shall have the Project's 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 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 not 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.

Section III. Procurement

1. All goods, works 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 MDTF Grant Agreement.

2. The Project Implementing Entity shall maintain throughout the period of implementation of the Project:

(a) a fully operational procurement documentation and record keeping system, in a manner and substance satisfactory to the World Bank, including a freely and publicly accessible website showing the procurement plan and procurement notices, invitations to bid, bidding documents and request for proposals, as well as the procurement status of various contracts, including status of evaluation, complaints and actions taken, contract awards and contract performance. The Project Implementing Entity shall maintain such system and website updated throughout the period of implementation of the Project; and

(b) as part of the Grievance Redressal Mechanism, 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 of investigations, and a sanctions regime. Notwithstanding the foregoing, any complaints related to contracts procured under International Competitive Bidding procedures, the World Bank’s prescribed complaint redress mechanism shall apply.

Section V. Other Undertakings; Project Staff Allowances

The Project Implementing Entity shall ensure that, except as the World Bank may otherwise agree in writing, the project staff allowances referred to in Section 6 (Incremental Operating Costs) of the Appendix to the Grant Agreement shall not be financed out of the proceeds of the Grant after a period of twenty-four (24) months after effectiveness date of this Agreement and that the resources necessary for this purpose after such time are made available as agreed with the Recipient.