

A.I.D. Project No. 391-0485
Dollar Appropriation No. 72-118/91037
Budget Plan Code: QES8-88-27-391-KG-13
Project Agreement No. 88-21

EIGHTH AMENDATORY AGREEMENT

TO

PROJECT GRANT AGREEMENT

BETWEEN

THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

AND THE

UNITED STATES OF AMERICA

FOR

NORTHWEST FRONTIER AREA DEVELOPMENT

DATED: September 29, 1988

(CONFORMED COPY)

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Dated: September 29, 1988

Between

The President of the Islamic Republic of Pakistan (hereinafter referred to as the "Grantee")

and

The United States of America, acting through the Agency for International development ("A.I.D.")

Article 1: Purpose of Amendment

This Eighth Amendatory Agreement to A.I.D. Project No. 391-0485 dated August 28, 1983, is hereby entered into between the Parties above named to (a) grant the Grantee additional United States ("U.S.") Dollars under this Project, (b) modify the Definition of the Project (Article 2, Section 2.1) and the Project Description (Annex 1 of the original Grant Agreement), (c) extend the Project Assistance Completion Date and, (d) add three Conditions Precedent, their terminal dates and two special conditions.

Article 2: The Project

Section 2.1 of the original Project Grant Agreement is hereby deleted and the following substituted in its stead:

"Section 2.1. Definition of the Project: The project has five major components. The first component is designed to change the Gadoon-Amazai area economy from one based primarily on poppy cultivation to a diversified agricultural and non-agricultural system with strong ties to the national economy which will facilitate and complement the Grantee's enforcement effort with respect to poppy cultivation and narcotics production. The second component will complement the first by supporting the establishment of an industrial estate to be located inside the Gadoon-Amazai project area which will provide increased employment opportunities to area residents. The third component is designed to halt existing poppy production in the Kala Dhaka area of the NWFP and to prevent future increases as producers attempt to move there from Gadoon-Amazai by bringing that remote, economically neglected area into the mainstream of provincial and national economies. The fourth component is intended to change the economies of other poppy producing areas of the NWFP, including but not limited to areas of Dir, Chitral, Bajaur and Mohmand, to diversified agricultural and non-agricultural systems with strong ties to the national economy, which changes will also facilitate and complement the Grantee's

enforcement effort with respect to poppy cultivation and narcotics production in those areas. This component may, among other things, include collaborative funding agreements with international donor agencies and support for development activities contained in the GOP's Special Development and Enforcement Plan. The fifth component will support local, provincial and national efforts to achieve a drug-free society through reduction of both drug demand and drug production.

This project will proceed under the auspices of the Ministry of Interior/Government of NWFP for the first, second and third components, the United Nations Fund for Drug Abuse Control and/or other international donor for the fourth component and the Federal Pakistan Narcotics Control Board for the last component. Activities under the first four components will contribute to agricultural development, infrastructure construction and off-farm employment in the identified project areas. The last component will support establishment of a National Drug Abuse Prevention Resource Center.

Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2, without formal amendment of this Agreement."

Article 3: Financing

Section 3.1 of the original Project Grant Agreement is hereby deleted and the following substituted in its stead:

"Section 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee, under the terms of this Agreement, an additional Five Million Five Hundred Thousand United States ("U.S.") Dollars (\$5,500,000). The total Grant, comprising the original Agreement, the First Amendatory Agreement, the Second Amendatory Agreement, the Third Amendatory Agreement, the Fourth Amendatory Agreement, the Fifth Amendatory Agreement, the Sixth Amendatory Agreement, the Seventh Amendatory Agreement and this Eighth Amendatory Agreement shall not exceed Thirty-Six Million Five Hundred Thousand United States Dollars (\$36,500,000). ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 7.1 of this Agreement, and local currency costs as defined in Section 7.2 of this Agreement, of goods and services required for the Project."

Article 4: New Section 4.2A

The following new Section 4.2A is hereby added after Article 4, Section 4.2 as provided for in the original Project Grant Agreement:

"Section 4.2A: Conditions Precedent to First Disbursement
Under the Kala Dhaka Grant Component

Except as A.I.D. may otherwise agree in writing, prior to any disbursement under the Kala Dhaka component of the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee shall furnish or have furnished to A.I.D. in form and substance satisfactory to A.I.D.: (a) a written statement setting forth the names and titles of persons holding or acting in the office of the Grantee and representing that the named person or persons have the authority to act as a representative or representatives of the Grantee for purposes of the Kala Dhaka component of the Grant together with a specimen signature of each such person certified as to its authenticity; and (b) documentation confirming that the Parties have reached agreement in writing as to the actions to be taken by the Government of the NWFP in the Kala Dhaka project area to enforce the Grantee's ban on opium poppy cultivation and the processing and distribution of opium poppy, heroin, and/or illicit morphine-based substances."

Article 5: New Section 4.2B

The following new Section 4.2B is hereby added after Article 4, Section 4.2A as provided for in this Eighth Amendatory Agreement:

"Section 4.2B: Conditions Precedent to Disbursement for Road Construction Activities to be Implemented in the East Bank Portion of the Kala Dhaka Project Area

Except as A.I.D. may otherwise agree in writing, prior to disbursement under this Project component for activities related to the construction of new or rehabilitation of existing roads in that portion of the Kala Dhaka project area which lies to the east of the Indus River, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee will provide to A.I.D. in form and substance satisfactory to A.I.D.:

(a) documentation confirming that the Grantee has established, or has caused to be established, a Project Coordination Unit within the Government of the NWFP for the purpose of overseeing project implementation within the Kala Dhaka area; and (b) documentation confirming that the Grantee has appointed, or has caused to be appointed, a Project Director for the Kala Dhaka Project Coordination Unit, together with the name of said person and his specimen signature."

Article 6: New Section 4.2C

The following new Section 4.2C is hereby added after Article 4, Section 4.2B as provided for in this Eighth Amendatory Agreement:

*Section 4.2C: Condition Precedent to First Disbursement
Under the National Drug Abuse Prevention
Resource Center Component

Except as A.I.D. may otherwise agree in writing, prior to any disbursement under the National Drug Abuse Prevention Resource Center component or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee shall furnish or have furnished to A.I.D., in form and substance satisfactory to A.I.D., a written statement setting forth the names and titles of persons holding or acting in the office of the Grantee and representing that the named person or persons have the authority to act as a representative or representatives of the Grantee for purposes of the Drug Center component of the Grant together with a specimen signature of each such person certified as to its authenticity.®

Article 7: New Section 4.3A

The following new Section 4.3A is hereby added after Article 4, Section 4.3 as provided for in the original Project Grant Agreement.

***Section 4.3A: Notification**

When A.I.D. has determined that the conditions precedent specified in Sections 4.2A, 4.2B and 4.2C have been met, A.I.D. will promptly so notify the Grantee."

Article 8: New Sub-Sections 4.4(c), 4.4(d) and 4.4(e)

The following new Sub-Sections 4.4(c), 4.4(d) and 4.4(e) are hereby added after Article 4, Section 4.4(b) as provided for in the original Project Grant Agreement:

"(c) If all of the conditions specified in Section 4.2A have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

(d) If all the conditions specified in Section 4.2B have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

(e) If all the conditions specified in Section 4.2C have not been met within 60 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee. "

Article 9: New Article 6A

The following new Article 6A is hereby added after Article 6 as provided in the original Project Grant Agreement:

*Article 6A: Special Condition - Control of Opium Poppy
Related Activities in the Kala Dhaka Project
Area

As a Condition Precedent to Disbursement for activities under the Kala Dhaka component, the Parties are required to have reached agreement in writing as to actions to be taken by the Government of the NWFP in the Kala Dhaka project area to enforce the Grantee's ban on opium poppy cultivation and the processing and distribution of opium poppy, heroin and/or illicit morphine base substances.

The Grantee agrees to carry out or cause to be carried out said enforcement agreement, as it may be from time to time amended by the Parties, in a prompt and effective manner. If at any time prior to the Project Assistance Completion Date (PACD) for this Project, as it may be from time to time amended, the United States Government should determine, in its discretion, that the Grantee or the Government of the NWFP has not substantially complied with said enforcement agreement or has failed to act in good faith in its efforts to fulfill the terms of said enforcement agreement, A.I.D. reserves the right to: (i) suspend all further assistance under the Project or such part thereof as A.I.D. may deem appropriate; and/or, (ii) terminate all further assistance under this Project as provided for in the Project Grant Standard Provisions Annex (Annex 2).

The provisions of this clause are in addition to such other remedies as may be available to A.I.D. under the terms of this Project Grant Agreement."

Article 10: New Article 6B

The following new Article 6B is hereby added after Article 6A provided for in this Eighth Amendatory Agreement:

*Article 6B: Special Condition - Prevention of the Spread of Opium Poppy Cultivation in the Kala Dhaka Project Area

During the interim after signature of this Eight Project Agreement Amendment which incorporates the Kala Dhaka component into the Project and before enforcement of the opium poppy cultivation ban in the Kala Dhaka Project Area in accordance with the agreement referred to in the Condition Precedent of Section 4.2A, the Government of Pakistan agrees to take all actions within the capacity of its resources to prevent the spread of poppy cultivation to those locations in the Kala Dhaka project area where the crop is not currently grown."

Article 11: Project Assistance Completion Date (PACD)

Section 3.3(a) of the original Project Grant Agreement is hereby deleted and the following substituted in its stead:

"(a) The PACD, which is August 9, 1993, or such other date as the parties may agree in writing, is the date by which the parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the project as contemplated in the Agreement."

Article 12: Project Description (Annex 1)

Annex 1 of the original Project Grant Agreement is hereby deleted in its entirety and the attached Annex 1 substituted in its stead.

Article 13: Other Terms and Conditions

All other terms and conditions of the original Project Grant Agreement shall remain in full force and effect.

In WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Eighth Amendatory Agreement to be signed in their names and delivered as of the day and year first above written.

GOVERNMENT OF PAKISTAN

BY: sd/-

NAME: Izharul Haque

TITLE: Secretary

Economic Affairs Division

UNITED STATES OF AMERICA

BY: sd/-

NAME: Robert B. Oakley

TITLE: Ambassador of the

United States of America

PROJECT DESCRIPTION

I. Project Goal and Purpose

The goal to which the project contributes is the eradication of opium poppy production within a process of rapid socio-economic development in the remote areas of Pakistan. The project is also designed to contribute to the goal of eliminating drug abuse in Pakistan.

The purpose of the project in Gadoon-Amazai, and other project areas except Kala Dhaka, is to change the area economy of the remaining poppy producing areas of the Northwest Frontier Province from one based primarily on poppy cultivation to a diversified agricultural and non-agricultural system with strong ties to the national economy, which will facilitate the GOP's enforcement effort with respect to poppy cultivation and narcotics production.

In Kala Dhaka the purpose is to halt existing poppy production and prevent future increases as producers attempt to move these from Gadoon Amazai, by bringing this remote, economically neglected area into the mainstream of the provincial and national economies.

The main purpose of the Drug Abuse Prevention Resource Center is to support and encourage local, provincial and national efforts to achieve a drug-free society through reduction of both drug demand and drug production.

II. Project Components

The project has five inter-related components:

A. Gadoon-Amazai Area Development

This component involves the implementation of hundreds of sub-projects in the fields of infrastructure (roads, irrigation channels, water supply systems, schools, veterinary clinics, etc.), agriculture (horticulture, improved seeds, land leveling, fertilizer, etc.) and training (primarily for off-farm employment and women's education). A first phase will be completed in mid-1990. A second phase, will complete AID's involvement in the area, and is designed to achieve the purpose outlined above.

B. Gadoon-Amazai Industrial Estate

AID is supporting the GOP in the establishment of an industrial estate to be located inside the Gadoon-Amazai project area. The estate, which should provide jobs for many hundreds of project beneficiaries, is receiving resources from AID for the construction of basic infrastructure.

C. Kala Dhaka Area Development

Since successful enforcement of the poppy ban in Gadoon, some drug dealers and poppy cultivators have moved their operations to adjacent Kala Dhaka. AID will finance a first phase to design a series of infrastructure, agriculture, health and training sub-projects, intended to bring this very remote area into parity with the surrounding region and to integrate it into the provincial and national economics. A significant effort of the first phase will be the design of access roads. AID expects to finance construction of these roads, and supporting development activities in agriculture and other disciplines during a second phase of activities likely to start within 12 to 24 months of this project agreement. In addition, Phase I will fund construction of a few small infrastructure activities and a major road on the west bank as well as an initial afforestation effort.

D. United Nations Fund for Drug Abuse Control (UNFDAC) Activities

This component, provides support to UNFDAC in undertaking development activities in other poppy producing areas of NWFP. These activities, as well as the activities in which AID has a more direct implementation role, and described in components A, B, and C, are coordinated by the GONWFP's Special Development Unit, and thus tied to Pakistan's overall poppy eradication effort.

E. Drug Abuse Prevention Center

A National Drug Abuse Prevention Resource Center will be established by the Pakistan Narcotics Control Board (PNCB) in Islamabad. AID has already contributed to this project through its Regional Narcotics Education Project (398-0355). Additional resources will be provided through this component of the NWFADP. The Center will form strong linkages with cooperating agencies in Karachi and Quetta, and at a later stage branch offices will be established there. Other towns will also be linked to the Islamabad center. The Center will be an information clearing house, with, ultimately, a professional staff of about 40 people. The Center will commission and conduct a range of training courses, and be the source of funding for national media campaigns and local information efforts.

III. Implementation Plan

A. Implementation Schedule

The activities of UNFDAC will continue over the life of the project amendment. AID involvement in the Industrial Estate is almost complete; only payments on the relevant host country contracts remain. The Kala Dhaka first phase will last 12-24 months. During this phase an additional amendment will be designed to cover a second phase of activities to last from 3 - 4 years. The drug center will be started immediately upon signing of the project agreement, and should be fully

operational by the PACD. USAID involvement in Gadoon will be gradually phased out over the remaining life of the project and will be completely gone by the PACD.

B. Administrative Arrangements

In Gadoon the project will be implemented by a Project Director, supported by a Project Coordination Unit (PCU), and guided by Project Coordinating Committees and a Project Review Board. This pattern will also be followed in Kala Dhaka, although, since this area is a Provincially Administered Tribal Area, the Deputy Commissioner, Hazara, will act as Ex-Officio Project Director.

UNFDAC will be administering Component D activities. The Industrial Estate component will be administered through the Gadoon PCU. The Pakistan Narcotics Control Board will administer the Drug Center.

C. AID and GOP Responsibilities

1. AID Responsibilities

AID will be responsible for:

- a. negotiations with the GOP and GONWFP on all matters related to the development program including definition and review of financial and administrative arrangements;
- b. initiation of periodic disbursements of funds for project implementation and follow-up on use of funds;
- c. overall monitoring of project progress;
- d. participation in the Gadoon II and Kala Dhaka Project Review Boards;
- e. procurement of selected local and expatriate technical assistance and contract personnel and management of these contracts;
- f. off-shore procurement of selected commodities;
- g. arrangements for overseas training programs;
- h. coordination of inputs from other AID projects;
- i. participation in project evaluations; and
- j. participation in US Mission/GOP discussions on enforcement of the poppy ban.

2. GOP Responsibilities

a. GONWFP

Provincial government agencies will be responsible for:

- i. provision of suitably qualified staff for the Gadoon II and Kala Dhaka Project Coordination Units, as described in the Project Paper;

ii. line agency support in the implementation of Gadoon II and Kala Dhaka subprojects, as described in the Project Paper, with the following exceptions:

- (a) off-farm training during at least the first year of Gadoon II will be carried out by the Overseas Pakistani Foundation, under contract with the PCU;
- (b) Forestry/Watershed management activities will be undertaken in Kala Dhaka by the Department of Forestry and the World Food Program (WFP) under a contract with AID and with WFP acting as manager of these activities;
- (c) small infrastructure subprojects in Gadoon and Kala Dhaka will be implemented by project committees composed of village beneficiaries; their work will be supervised by the PCU, the line agencies, the technical assistance personnel and/or AID technical personnel working in support of the PCU; and
- (d) the design of the access roads on the east bank which will be undertaken by contracted firms under the supervision of AID technical personnel.

iii. participation in the Gadoon II and Kala Dhaka Project Review Boards, Project Coordination Committees and project evaluations, as described in the Project Paper; this will involve the Provincial Government in providing;

- (a) annual work plans for PRB and AID review;
- (b) solving implementation problems; and
- (c) coordinating inputs from various line agencies and other GONWFP entities.

b. Pakistan Narcotics Control Board

The PNCB will be the counterpart agency for the establishment of the Drug Abuse Prevention Center. As such the PNCB will be responsible for:

- (a) provision of all staff with the exception of the contracted advisors;
- (b) procurement of shelf commodities; and
- (c) implementation of subprojects.

ILLUSTRATIVE

SUMMARY OF PROJECT COSTS BY EXPENSE CATEGORY AND SOURCE OF FUNDING 1/
 (In 000's)

Annex 1
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EXPENSE CATEGORY	Cumulative FY 1983, 84		Life of Project Funding 2/	
	85, 86, 87 & 88 To Date			
	AID Grant	GOP	AID Grant 3/	GOP
	(in \$)	(in Rs)	(in \$)	(In Rs)
Technical Assistance	4,052	-	7,019	-
Training	200	-	2,662	-
Commodities	3,395	-	6,545	-
Other Costs				
a. Construction	13,071	2,496	21,717	4,992
b. Project Personnel & Operations	5,046	8,320	11,191	16,640
c. Land and Other Facilities	-	1,280	-	2,560
Evaluation	150	-	450	-
Activities to support the GOP's Special Development and Enforcement Plan for Opium Poppy Growing Areas	10,000	-	10,000	-
TOTAL	35,914	12,096	59,584	24,192
Contingency	586	5,824	3,416	11,648
GRAND TOTAL	36,500	17,920	63,000	35,840

- 1/ Either party may unilaterally, with w itten notice to the other, adjust line items in this budget to a maximum of 15% per line item, provided, however, that the total obligated amount as shown in the budget is not exceeded.
- 2/ Subject to the availability of funds to A.I.D. for this purpose and to the mutual agreement of both parties to proceed at the time of each subsequent increment.
- 3/ Does not include funding under the A.I.D.-financed Development Support Training Project (391-0474) which may be used to finance some training for this Project, subject to the availability of funds to A.I.D. for this purpose.