Program Agreement

(Punjab Irrigation Sector Development Policy Loan)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

PROVINCE OF PUNJAB

Dated June 5, 2006
PROGRAM AGREEMENT

AGREEMENT dated June 5, 2006, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("the Bank") and PROVINCE OF PUNJAB acting by its Governor ("Punjab" or the "Program Implementing Entity") (the "Program Agreement") in connection with the Loan Agreement of same date between Islamic Republic of Pakistan (the "Borrower") and the Bank (the "Loan Agreement"). The Bank and the Program Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Program Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II - PROGRAM

2.01. The Program Implementing Entity declares its commitment to the objectives of the Program. To this end, the Program Implementing Entity shall carry out the Program in accordance with the provisions of Article V of the General Conditions and provide promptly as needed, the funds, facilities, services and other resources required for the Program.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Program Implementing Entity shall otherwise agree, the Program Implementing Entity shall carry out the Program in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

3.01. The Program Implementing Entity's Representative is Chairman, Planning and Development Board.
3.02. The Bank’s Address is:

For the Bank:

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

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

3.03. The Program Implementing Entity’s Address is:

Planning and Development Board
Government of Punjab
Lahore
Pakistan

Cable address: DEVELOPMENT
Facsimile: 92-42-9210110
Lahore, Pakistan

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ John W. Wall
Country Director
Pakistan

PROVINCE OF PUNJAB

By /s/ Sohail Ahmad
Authorized Representative
SCHEDULE

Actions Taken by Punjab Under the Program

I. Institutional and Policy Reforms

1. Standards based on market prices have been adopted for maintenance and rehabilitation (M&R) allocation in the budget and based on these standards the M&R allocation for FY 2005-2006 has been increased to two billion Rupees (Rs 2,000,000,000).

2. FOs have been authorized to collect and retain agreed percentage of the water charges (abiana).

3. An inventory of all of IPDs irrigation assets has been prepared.

4. A system of fortnightly departmental accounts committee (DAC) meetings has been instituted for the purpose of reviewing and settling all arising audit observations and progressively clearing backlogs.

II. Water Resource Management Reforms

5. Data on actual canal withdrawals, including water entitlements, actual diversions and balance shares, has been posted on the IPD website.

6. Preparation of an irrigation management information system has been initiated, to allow IPD to monitor key indicators of the system including designed and actual discharges.

III. Irrigation Service Delivery Reforms

7. Irrigation management transfer agreements have been entered into with all eighty-three (83) FOs in LCC (East) Lower Chenab Canal.

8. A preliminary institutional analysis of IPD’s operations has been carried out and a set of reform actions has been prepared for the different cost centers managed by it.