Project Agreement

(Punjab Education Sector Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of grant funds provided by
the Government of Canada, acting through the
Canadian International Development Agency

and

PROVINCE OF PUNJAB

Dated January 31, 2011
PROJECT AGREEMENT

Agreement dated January 31, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator of Canada's Support for Punjab Education Sector Project Trust Fund (TF071539) (the “World Bank”) and the PROVINCE OF PUNJAB (the “Project Implementing Entity”) (“Project Agreement”) in connection with the CIDA Grant Agreement (the “Grant Agreement”) of same date between the ISLAMIC REPUBLIC OF PAKISTAN (the “Recipient) and the World Bank. The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in the Appendix to the 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 Grant Agreement, shall also be construed, mutatis mutandis, as obligations and responsibilities of the Project Implementing Entity and references to this Project Agreement respectively.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the 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: (i) carry out the Project (as defined in Schedule 1 to the Grant Agreement) with due diligence and efficiency and in conformity with appropriate administrative, technical, economic, environmental and social standards and practices, satisfactory to the World Bank; and (ii) 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 provisions of the Schedule to this Agreement, and Article II of the Standard Conditions.

2.03. The Project Implementing Entity shall cooperate fully with the Recipient to assure that the purposes of the Grant and the objective of the Project will be accomplished and: (a) at the request of the World Bank, exchange views with the World Bank with regard to the Project, particularly the progress in the achievement of the Disbursement-Linked Indicators, as well as the performance of its obligations under this Agreement; (b) furnish to the world Bank all such information related to such matters as the World Bank shall reasonably request; and (c) promptly inform the World Bank of any conditions which interfere with, or threatens to interfere with such matters.
ARTICLE III — EFFECTIVENESS; TERMINATION

3.01. This Agreement shall come into force and effect on the date upon which the 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 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 provision 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 its Secretary of School Education.

4.02. The World Bank’s Address is:

   International Development Association  
   1818 H Street, NW  
   Washington, DC 20433  
   United States of America

   Cable: INDEVAS  
   Telex: 248423(MCI)  
   Facsimile: 1-202-477-6391

4.03. The Project Implementing Entity’s Address is:

   School Education Department  
   Civil Secretariat  
   Government of Punjab  
   Lahore, Punjab  
   Islamic Republic of Pakistan

   Facsimile: 92-42-9212012
AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of grant funds provided by the
Government of Canada, acting through the Canadian
International Development Agency

By/s/ Rachid Benmessaoud

PROVINCE OF PUNJAB

By/s/ Mohammad Aslam Kamboh.
Secretary
School Education Department
Govt. of the Punjab
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Implementation Arrangements

1. For purposes of implementing the Project, the Project Implementing Entity shall:

(a) maintain throughout the period of implementation of the Project, a steering committee (the “Program Steering Committee”) headed by the Chairman of the Project Implementing Entity’s Planning and Development Department, and comprised of representatives from, inter alia, the Project Implementing Entity’s Planning and Development; Finance; School Education; and Higher Education Departments, and the PMIU’s Project Director, as well as development partners (as observers); which committee shall be assigned with functions and responsibilities satisfactory to the World Bank, as shall be required for the overall strategic policy guidance, oversight support, and annual review of Project progress and implementation plans vis-à-vis the Project Implementing Entity’s Medium-Term Sector Framework;

(b) maintain throughout the period of implementation of the Project, a program monitoring and implementation unit (“PMIU”) headed by a Project Director, and provided with sufficient resources and competent and appropriately qualified staff in adequate numbers, under terms of reference satisfactory to the World Bank, comprising inter alia an Additional Project Director, at least four (4) Deputy Directors (for Coordination, Monitoring & Evaluation, Planning, and Finance), two (2) procurement management officers and a financial management officer, and an internal auditing specialist, and assisted by district monitoring officers and monitoring & evaluation assistants; which unit shall be assigned with such functions and responsibilities, satisfactory to the World Bank, as shall be required for: (i) the planning and day-to-day implementation of Project activities, including compliance with the financial management, procurement, monitoring and evaluation, and reporting requirements under the Project; (ii) the development of guidelines, regulations and operations resource manuals as may be deemed necessary for Project implementation; and (iii) the liaison and coordination of activities with the Project Implementing Entity’s district governments, Finance Department, Planning and Development Department, and other key stakeholders; and

(c) maintain in each provincial district, throughout the period of implementation of the Project, a District Steering Committee, chaired by a District Coordination Officer, and provided with sufficient resources and competent staff in adequate numbers, under terms of reference satisfactory to the World Bank, comprising inter alia, executive officers responsible for finance and planning, education, works and services, and monitoring and evaluation, which committees shall be
assigned with such functions and responsibilities, satisfactory to the World Bank, as shall be required for: (i) overseeing Project implementation at district level; (ii) carrying out district review of program implementation; (iii) approving development schemes; (iv) providing guidance on program implementation and monitoring; and (v) liaising with the PMIU and the School Education Department.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in Section II of the Appendix to this Agreement.

C. Safeguards

1. The Project Implementing Entity shall ensure that:

   (a) the activities under the Project shall be implemented in accordance with the Environmental and Social Management Framework, the objectives, policies and procedures thereof, the specific environmental and social management plan that shall be prepared on the basis thereof, and the social and environmental mitigation measures and monitoring requirements provided therein;

   (b) no activities involving land taking will be carried out under the Project. In the event that any land acquisition be required for the Project, the Project Implementing Entity shall, in consultation with the World Bank, ensure that such land be obtained under the Land Acquisition Act (1894) with the exception of clause 17.4 thereof (urgency/emergency clause), or as a donation or bequeath; and

   (c) no activity under the Project give rise to Displaced Persons.

2. Notwithstanding the provisions of paragraph 1 above, in carrying out the activities under subparagraph 4(i) of Component 1 of the Project, the Project Implementing Entity, through the PMIU, shall:

   (a) by no later than January 31, 2011 prepare a construction design and execution manual for the construction and/or rehabilitation of schools, in form and substance satisfactory to the World Bank, which manual shall be consistent with the provision of the Environmental and Social Management Framework;

   (b) soon thereafter, notify and disseminate that manual among all School Councils in the Province;

   (c) ensure that all school construction/rehabilitation activities are carried out in conformity with said manual; and
(d) refrain from amending, waiving, terminating, suspending and/or abrogating the aforementioned construction design and execution manual, whether in whole or in part, without the prior concurrence (no-objection) of the World Bank.

D. Additional Undertakings for Project Implementation

1. The Project Implementing Entity shall ensure that, throughout the period of implementation of the Project, the Departmental Accounts Committee of the SED meet on a regular basis (and not less than at least twice a year) in order to review and settle the cumulative backlog of advance audits paragraphs for the education sector at provincial and district level, and ensure a progressive reduction of such outstanding audit paragraphs in accordance with the following schedule:

(a) by March 31, 2011, a reduction of at least sixty percent (60%) of the total advance audit paragraphs for FY2008/09; and

(b) by March 31, 2012, a reduction of at least sixty percent (60%) of the total advance audit paragraphs for FY2009/10.

2. In carrying out the activities under paragraph 2 of Component 1 of the Project, the Project Implementing Entity shall continue the implementation of the Continuous Professional Development Program in at least twelve (12) provincial districts, in a manner satisfactory to the World Bank, until March 31, 2011, and thereafter scale up program activities to cover all thirty-six (36) provincial districts by December 31, 2011.

E. Donor 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 Government of Canada’s 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 Government of Canada to visit any part of the Project Implementing Entity’s territory for purposes related to the Project.

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 agreed with the World Bank. Each such Project Report shall be submitted to the World Bank twice a year, on or about April 15 and October 15 of each year, covering the immediately preceding calendar semester of activities (i.e. October through March, and April through September, respectively).
2. The Project Implementing Entity shall provide to the Recipient not later than six (6) months after the Closing Date, the report referred to in Section 2.06(b)(ii), as well as all such information as the Recipient or the World Bank shall reasonably request for the purposes of such Section.

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.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish, to the World Bank the following interim unaudited financial reports ("IUFR") as follows:

   (a) by no later than January 15 of each year, an IUFR for the Project, in form and substance satisfactory to the World Bank, covering the immediately preceding six-month period (i.e. July through December) of Project activities under Component 1; and

   (b) by no later than June 15 of each year, an IUFR for the Project, in form and substance satisfactory to the World Bank, covering the immediately preceding five-month period (i.e. January through May) of Project activities under Component 1.

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 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.

C. Budget Execution Reports

Notwithstanding the reporting requirements set forth in Section II.B of this Schedule, for purposes of supporting any withdrawal applications under Component 1 of the Project, the Project Implementing Entity shall prepare quarterly consolidated budget execution reports ("BER"), in form and substance satisfactory to the World Bank, setting out values of budgets, actual expenditures incurred and balances thereof, if any, per month, per budget line, for the whole education sector, covering the period from the beginning of the Project Implementing Entity’s Fiscal Year in which the report is prepared and up to the date of any such reports. The BERs shall be prepared in each calendar quarter, and be submitted to the World Bank no later than thirty (30) days after the end of such quarter.
D. School Councils' Compliance with Fiduciary Requirements

1. In order to comply with the fiduciary responsibilities under the Project pursuant to the requirements of this Agreement, the Project Implementing Entity shall:

(a) ensure that School Councils adopt, in form and substance satisfactory to the Association, and thereafter apply the Financial Management and Procurement Rules prepared by the Project Implementing Entity in conformity with the Anti-Corruption Guidelines, the Procurement Guidelines and the Consultant Guidelines, in a form and substance satisfactory to the World Bank.

(b) refrain, and cause each of the School Councils to refrain, from amending, waiving, terminating, suspending and/or abrogating the aforementioned financial management and procurement guidelines, whether in whole or in part, without the prior concurrence (no-objection) of the World Bank, if, in the opinion of the World Bank, such waiver, amendment, termination, suspension and/or abrogation might materially or adversely compromise the successful implementation of School Council activities in accordance with the fiduciary arrangements (procurement and financial management) undertaken under this Agreement.

Section III. Procurement

1. All goods and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement.

2. The Project Implementing Entity shall maintain throughout the period of implementation of the Project, 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 and official estimates (unit prices based on market values), the status of procurement of various contracts (the summary of proposals/bid evaluations and awards), contract performance and payment delays, and a list of procurement complaints and status thereof.