Project Agreement

(Punjab Irrigated Agriculture Productivity Improvement Program Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF PUNJAB

Dated April 12, 2012
PROJECT AGREEMENT

AGREEMENT dated April 12, 2012 entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and PROVINCE OF PUNJAB ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the Islamic Republic of Pakistan ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide 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 Association 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.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is the chair of its Department of Planning and Development.

4.02. The Association’s Address is:

    International Development Association
    1818 H Street, NW
    Washington, DC 20433
    United States of America
Cable: Telex: Facsimile:
INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

Department of Planning and Development
Government of Punjab
Lahore
Pakistan

Facsimile:
92-42-9921-4069

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

PROVINCE OF PUNJAB

By

Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall be responsible for Project management, implementation, and monitoring and evaluation in accordance with the following arrangements, and, to this end, the Project Implementing Entity shall maintain, throughout Project implementation, all of the entities referred to in paragraphs 2-10 of this Part A with an adequate institutional framework, composition, functions, and resources, including competent personnel in adequate numbers as applicable, satisfactory to the Association as shall be required for purposes of Project implementation.

   Project Policy Committee

2. The Project Implementing Entity shall be responsible for the provision of policy and strategic orientation to and high-level inter-agency coordination in relation to the Project through the Project Policy Committee.

   Project Steering Committee

3. The Project Implementing Entity shall be responsible for strategic management of the Project through the Project Steering Committee.

   Directorate General, Agriculture (Water Management)

4. The Project Implementing Entity shall be responsible for Project implementation, including administrative and financial management, disbursement, and procurement, and monitoring and evaluation through the Directorate General, Agriculture (Water Management) in accordance with the following arrangements.

   Project Implementation Committee

5. The Project Implementing Entity shall be responsible for overall implementation of the Project through the Project Implementation Committee.

   Regional Project Coordination Units

6. The Project Implementing Entity shall be responsible for regional-level coordination of the Project through the Regional Project Coordination Units.

   District Offices (On-Farm Water Management)

7. The Project Implementing Entity shall be responsible for district-level coordination of the Project through the District Offices (On-Farm Water Management).
District Implementation Committees

8. The Project Implementing Entity shall be responsible for district-level implementation of the Project through the District Implementation Committees.

District Rate Committees

9. The Project Implementing Entity shall be responsible for the periodic review of rates of construction materials and the establishment of Unit Costs for such materials on a geographical basis for Watercourse Improvement Subprojects through the District Rate Committees.

Pre-Qualification Committees

10. The Project Implementing Entity shall be responsible for the periodic review of rates of irrigation equipment and the establishment of Unit Costs for such equipment on a geographical basis for Irrigation Systems Subprojects through the Pre-Qualification Committees.

Project Supervision and Verification Consultant

11. The Project Implementing Entity shall, for purposes of implementation of Part D (b) of the Project, employ, not later than three (3) months after the Effective Date, and thereafter maintain throughout Project implementation, a consultant, under terms of reference satisfactory to the Association, which shall include said consultant’s obligation to:

(a) assist the Project Implementing Entity in the verification of achievement of the Outputs and compliance with the Subproject Performance Indicators; and

(b) carry out ex-post reviews of the completeness, accuracy, and authenticity of the documentation provided by Service Providers and Water Users’ Associations, as well as ex-post physical spot verifications of a meaningful and random sample of Outputs and Subproject Performance Indicators.

B. Anti-Corruption

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


1. The Project Implementing Entity shall:

(a) ensure that the Project is carried out in accordance with the provisions of the Project Financial Management Manual; and
(b) not, except as the Association may otherwise agree in writing, assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2. In the event of a conflict between the provisions of the Project Financial Management Manual and those of this Agreement, the latter shall govern.

D. Annual Work Plans and Budgets

The Project Implementing Entity shall:

(a) throughout Project implementation, furnish to the Association for approval as soon as available, but in any case not later than March 31 of each year, the annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date; and

(b) thereafter ensure that the Project is carried out in accordance with such plan and budget as agreed with the Association.

E. Subprojects

1. Eligibility

No proposed Subproject shall be eligible for financing under the Project unless, on the basis of a review and appraisal conducted in accordance with the provisions of this Part E.1 and the Project Financial Management Manual, the Project Implementing Entity has determined that the proposed Subproject satisfies the following eligibility criteria:

(a) in the case of an Irrigation Systems Subproject, the relevant farm has an adequate, reliable, and assured water source having water of suitable quality for irrigation;

(b) in the case of an Irrigation Systems Subproject, the relevant farm is preferably located in an area with adequate access for purposes of a positive demonstration effect;

(c) in the case of an Irrigation Systems Subproject, the relevant farm has soil that is suitable for drip irrigation and not severely degraded on account of conditions such as water-logging, salinization, and alkalinization;

(d) in the case of an Irrigation Systems Subproject, the relevant farm has appropriate topography without deep ditches, ravines, or other hindrances that cannot be resolved through economic drip-irrigation design;
(e) in the case of an Irrigation Systems Subproject, the farmer is the owner, tenant, or lessee and self-cultivator of the land; in the event of an absentee owner, a well-versed farm manager is required;

(f) in the case of a Land Leveling Subproject, the farmer to benefit from the Subproject possesses a tractor capable of operating laser-guided land leveling equipment;

(g) in the case of a Land Leveling Subproject, the farmer to benefit from the Subproject has not applied for the provision of laser-guided land leveling equipment under the Project from any other sub-district in the territory of the Project Implementing Entity;

(h) in the case of a Land Leveling Subproject, the farmer to benefit from the Subproject has not availed of the provision of laser-guided land leveling equipment from the Recipient or the Project Implementing Entity on a previous occasion;

(i) in the case of a Land Leveling Subproject, the farmer to benefit from the Subproject is the owner, tenant, or lessee and self-cultivator of land of not more than twelve and a half (12.50) acres and is preferably an agricultural machinery service provider or an agricultural graduate possessing the requisite land ownership; and

(j) the farmer to benefit from the Subproject is not in default with any revenue collection agency or financial institution.

2. Terms

(a) The Project Implementing Entity shall enter into a Subproject Agreement with the respective Service Provider and farmer in the case of an Irrigation Systems Subproject, the respective Service Provider in the case of a Land Leveling Subproject, and the respective Water Users' Association in the case of a Watercourse Improvement Subproject, under terms and conditions satisfactory to the Association, setting forth, inter alia:

(i) the Service Provider's, the farmer's, and/or the Water Users' Association's obligation to:

(A) carry out the Subproject and deliver the Outputs set forth in the Subproject Agreement in accordance with the requirements included therein;

(B) meet the Subproject Performance Indicators set forth in the Subproject Agreement;
(C) comply with the safeguards, fiduciary, and technical requirements of the Subproject Agreement;

(D) enable the required financial and procurement audits to be carried out by the Project Implementing Entity, as well as verification of delivery of Outputs and achievement of Subproject Performance Indicators to be carried out by the Project Implementing Entity and the consultant referred to in Part A.10 of this Section I;

(E) comply with the reporting requirements applicable to the Subproject and enable the Recipient, the Association, the Project Implementing Entity, and the consultant referred to in Part A.10 of this Section I to review the documents related to the Subproject and visit the Subproject sites; and

(F) comply with the procurement requirements of the Subproject Agreement, including the procurement methods applicable in accordance with the Procurement Plan for purposes of compliance with the Anti-Corruption Guidelines.

(ii) in the case of an Irrigation Systems Subproject, the farmer’s obligation to:

(A) provide his contribution to the Subproject in accordance with the requirements of the Irrigation Systems Subproject Agreement;

(B) ensure operation and maintenance of the irrigation system installed under the Subproject;

(C) not remove, sell, transfer, or hand over possession, in any form, of the irrigation system installed under the Subproject for a period of three (3) years following installation;

(D) ensure training, through the Service Provider or the Project Implementing Entity, in relation to operation, troubleshooting, and operation and maintenance, for the operator of the irrigation system installed under the Subproject; and

(E) pay the Project Implementing Entity an amount equal to the assistance received for purposes of the carrying out of the Subproject in the event of the farmer’s violation of the terms of the Irrigation Systems Subproject Agreement.
(iii) in the case of a Land Leveling Subproject, the Service Provider’s obligation to:

(A) use the land leveling equipment provided under the Subproject exclusively for agricultural purposes;

(B) make the land leveling equipment provided under the Subproject available on a rental basis for land leveling of at least three hundred (300) acres per year throughout Project implementation;

(C) arrange for the land leveling equipment provided under the Subproject to be booked with a shortlisted or prequalified supply and service company;

(D) not sell, transfer, or hand over possession, in any form, of the land leveling equipment provided under the Subproject prior to the fulfillment of the prior conditions of the Land Leveling Subproject Agreement in this regard;

(E) ensure training, through the Water Management Training Institute, in relation to operation, troubleshooting, operation and maintenance, and farm layout planning, for the operator of the land leveling equipment provided under the Subproject;

(F) comply with the decisions of the District Allotment Committee and the Directorate General, Agriculture (Water Management) in relation to the allocation and operation of land leveling equipment and the performance of obligations under the Land Leveling Subproject Agreement.

(iv) in the case of a Watercourse Improvement Subproject, the Water Users’ Association’s obligation to:

(A) provide the right of way for the construction of a new watercourse;

(B) arrange the skilled and unskilled labor required for the reconstruction of earthen water channels, the installation of structures, and the lining of critical reaches;

(C) procure the construction materials required for the carrying out of works;

(D) settle any disputes among water users, such as in relation to channel alignment, outlet fixation, and work distribution;

(E) make alternative arrangements for the conveyance of water during the carrying out of works;
(F) carry out works in accordance with the applicable standards and specifications and under the supervision of the Directorate General, Agriculture (Water Management) or district government field staff; and

(G) regularly undertake operation and maintenance of new and improved watercourses.

(v) the Project Implementing Entity's obligation to:

(A) pay for the Unit Costs of Outputs in the amounts and at the intervals specified in the Subproject Agreement, upon the Service Provider's, the farmer's, and / or the Water Users' Association's fulfillment of the Subproject Performance Indicators, all as confirmed by the Project Implementing Entity and the consultant referred to in Part A.11 of this Section I; and

(B) ensure that the Service Provider, the farmer, and / or the Water Users' Association comply / complies with the provisions applicable to the Subproject as set forth in this Agreement.

(b) Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the Subproject Agreement, or any provision thereof.

3. The Project Implementing Entity shall monitor and evaluate the implementation of Subprojects, the delivery of Outputs, and compliance with the Subproject Performance Indicators on a periodic basis, all under terms acceptable to the Association.

4. (a) The Project Implementing Entity shall, jointly with the Recipient and the Association, not later than six (6) months after the Effective Date, again not later than twelve (12) months after the Effective Date, and thereafter on an annual basis throughout Project implementation, review the Outputs and related Unit Costs, and thereafter adjust them as necessary, both in a manner satisfactory to the Association;

(b) in the event that the actual average cost of any Output is considerably lower than the pre-agreed Unit Cost, the Association shall be entitled to adjust the Unit Cost for any such Output completed thereafter in order to compensate for any amounts paid in excess;

(c) in the event that the adjustments referred to in the preceding paragraph are not possible, or are insufficient to compensate for the amounts paid in excess, the Project Implementing Entity undertakes to refund to the Association any amounts withdrawn for Subprojects in excess of the actual average cost of the respective Outputs;
(d) the Association undertakes to, after considering the Recipient's and the Project Implementing Entity's preferences, either: (i) reallocate the amounts so refunded to other Project activities and disbursement Categories; or (ii) authorize the use of such amounts for the financing of additional Subprojects; and

(e) in the event that the actual average cost of any Output is considerably higher than the pre-agreed Unit Cost, the Association shall, on the request of the Recipient and/or the Project Implementing Entity, review and, if justified, adjust the Unit Cost accordingly for any such Output completed thereafter.

F. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Environmental and Social Management Plan, and, except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2. The Project Implementing Entity shall, in respect of Subprojects:

   (a) ensure that no Subproject requiring resettlement is authorized for implementation under the Project; and

   (b) cause the Service Providers, the farmers, and/or the Water Users' Associations to carry out the Subprojects in accordance with the Environmental and Social Management Plan.

3. The Project Implementing Entity shall take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Report, information on the status of compliance with the Environmental and Social Management Plan, covering the quarter and providing details of:

   (a) measures taken in furtherance of said Plan;

   (b) any conditions which interfere or threaten to interfere with the smooth implementation of said Plan; and

   (c) remedial measures taken or required to be taken to address such conditions.

4. In the event of a conflict between the provisions of the Environmental and Social Management Plan and those of this Agreement, the latter shall govern.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) 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 the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later than five (5) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

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<th>No.</th>
<th>Indicator</th>
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<tr>
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<td><strong>Project Objective</strong></td>
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<tr>
<td>1.</td>
<td>Reduction in water losses in Project area: (a) with high-efficiency irrigation systems; and (b) in improved watercourses</td>
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<td>2.</td>
<td>Increased agricultural output per unit of water used: (a) orchards and vegetable and other row crops with high-efficiency irrigation systems; and (b) improved watercourses</td>
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<td><strong>Part A of the Project</strong></td>
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<td>3.</td>
<td>High-efficiency irrigation systems installed</td>
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<td>4.</td>
<td>Laser-guided land leveling equipment provided</td>
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<td><strong>Part B of the Project</strong></td>
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<td>5.</td>
<td>Watercourses in canal command area improved</td>
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<td><strong>Part C of the Project</strong></td>
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<td>6.</td>
<td>Improved agricultural practices introduced</td>
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<td>7.</td>
<td>Monitoring and evaluation of implementation and impact of Project and Environmental and Social Management Plan carried out</td>
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<td></td>
<td><strong>Part D of the Project</strong></td>
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<td>8.</td>
<td>Project implementation and management activities carried out</td>
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<td>9.</td>
<td>Independent Project supervision and verification carried out</td>
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<td>10.</td>
<td>Strategic studies carried out in areas identified during Project implementation, and technical assistance provided to Project Implementing Entity</td>
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2. The Project Implementing Entity shall provide to the Recipient not later than five (5) months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Semi-Annual Reviews

The Project Implementing Entity shall participate in the review referred to in Section II.B of Schedule 2 to the Financing Agreement, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the report referred to in said Section and the Recipient’s and the Association’s views on the matter.

C. Midterm Review

The Project Implementing Entity shall:

(a) participate in the review referred to in Section II.C (a) of Schedule 2 to the Financing Agreement;

(b) prepare and furnish to the Recipient and the Association, at least one (1) month before such review, a report, in scope and detail satisfactory to the Association and integrating the results of the monitoring and evaluation activities performed pursuant to Part A.1 (a) of this Section II, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(c) review jointly with the Recipient and the Association the report referred to in paragraph (b) of this Part C and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Recipient’s and the Association’s views on the matter.

D. 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 Association, 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 Recipient and the Association, not later than forty-
five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Project Implementing Entity shall have its financial statements referred to in paragraph 1 above of this Part D audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. 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 Association 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 Association.

Section III. **Procurement**

1. All goods, works, 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 Schedule 2 to the Financing Agreement.

2. The Project Implementing Entity shall establish and fully operationalize, not later than one (1) month after the Effective Date, Project procurement documentation and recordkeeping systems, including a website reflecting the status of procurement and performance of contracts, and a Project procurement complaint redress mechanism, all satisfactory to the Association.

Section IV. **Other Undertakings**

The Project Implementing Entity shall ensure that, not later than twelve (12) months after the Effective Date, all laser-guided land leveling equipment owned by the Directorate General, Agriculture (Water Management) is divested and made available to Service Providers for purposes of the carrying out of Land Leveling Subprojects.