Project Agreement

(Punjab Barrages Improvement Phase-II Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

PROVINCE OF PUNJAB

Dated December 18, 2010
PROJECT AGREEMENT

AGREEMENT dated December 18, 2010 entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and PROVINCE OF PUNJAB (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between ISLAMIC REPUBLIC OF PAKISTAN (“Borrower”) and the Bank. The Bank and Punjab hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS

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 this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. Punjab declares its commitment to the objectives of the Project. To this end, Punjab shall carry out the Project in accordance with the provisions of Article V 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 Bank and Punjab shall otherwise agree, Punjab shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative (as defined in the General Conditions) is the Chairman of Punjab’s Planning and Development Board, or such other person or persons as he/she shall designate in writing.

3.02. The Bank’s Address is:

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

Cable: INTBAFRAD  Telex: 248423(MCI) or 1-202-477-6391
Facsimile: 64145(MCI)
3.03. The Project Implementing Entity’s Address (as defined in the General Conditions) is:

Planning and Development Board
Government of Punjab
Lahore, Pakistan

Cable: DEVELOPMENT
Facsimile: (+92) (42) 9921-4069
Lahore, Pakistan

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ Rachid Benmessaoud
Authorized Representative

PROVINCE OF PUNJAB

By: /s/ Rab Nawaz
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Punjab shall:

   (a) establish within fifteen (15) days as of effectiveness of the Loan, and thereafter maintain throughout the period of the Project Implementation, a Project Steering Committee (PSC), chaired by the Chairman of the Planning and Development Board, and comprised of the Secretaries of IPD, the Finance Department, and the Agriculture, Environment, Public Health Engineering, Forestry and Wild Life Department, the representative of partnering non-governmental organization, and the Member (Infrastructure) and Chief Water Officer of the Planning and Development Board, as well as representatives of local (district) administrations; which steering committee shall be vested with such functions, powers, resources and competencies, satisfactory to the Bank, as shall be required for: (i) the overall policy guidance, inter-agency cooperation and general oversight of Project implementation; (ii) the approval of the O&M Financing Plan; (iii) the consideration of the various Project Reports and the M&E Consultants’ semi-annual reports; (iv) the adequacy and continuity of the PMO and PMIU staff; and (v) the compliance with the legal and financial covenants set out in this Agreement;

   (b) maintain throughout the period of Project implementation, the Project Management Organization (PMO), established within the IPD, vested with the responsibility of the daily management, coordination and monitoring of the fiduciary and safeguards obligations under the Project, and the implementation of Parts A, B.1(ii) B.2, C and D of the Project; which organization shall: (i) be headed by a Project Director (who shall also serve as Secretary to the Project Steering Committee), assisted by, inter alia, duly qualified and experienced financial, procurement, engineering, and environmental and social specialists satisfactory to the Bank, under terms of reference and in sufficient numbers acceptable to the Bank; and (ii) be vested with such functions, powers, resources and competencies, satisfactory to the Bank, as shall be required to achieve its purpose and mandate;

   (c) maintain throughout the period of Project implementation the Program Monitoring and Implementation Unit (PMIU), established within IPD, vested with the responsibility of implementing Part B.1(i) of the Project; which unit shall be headed by a qualified and experienced manager, staffed with competent personnel, under terms of reference and in sufficient numbers acceptable to the Bank, and provided with adequate functions, resources, powers and competencies, satisfactory to the Bank, as shall be required to achieve its purpose and mandate; and
(d) maintain throughout the period of Project implementation the Punjab’s Public Health Engineering Department with sufficient staff and resources, satisfactory to the Bank, and sufficient powers and responsibilities for the carrying out of water supplies schemes under Part A.3 of the Project.

2. Punjab through IPD shall establish, by no later than December 31, 2010, and thereafter maintain throughout the period of Project implementation, an independent Panel of Experts (PoE), with qualifications and experience satisfactory to the Bank, and under terms of reference acceptable to the Bank, to be responsible for reviewing, and providing advice to the Project Implementation Entity and its PMO on matters related to safety and critical technical aspects of the design and construction works of the hydraulic infrastructure of the Jinnah Barrage, as well as participating in the periodic safety inspections thereof. The Panel of Experts shall meet whenever requested and, at least, twice a year.

3. By no later than December 31, 2010, the Punjab through IPD shall employ, under terms of reference satisfactory to the Bank, and thereafter maintain throughout the period of implementation of the Project, duly qualified and experienced project implementation consultants, acceptable to the Bank, to serve as the construction engineer for the civil works to be carried out under the Project, and assist the PMO with the management and supervision of construction contracts, including: (i) the preparation of procurement documents (and any subsequent changes/variations thereto); (ii) the evaluation of technical and financial proposals; (iii) the handling of any procurement disputes and the administration of the website to be established pursuant to Section III.B.2(a) of this Schedule; (iv) the certification of performance/delivery of contractual obligations and quality control thereof; and (v) the overseeing of payments to service providers and/or Project contractors.

4. Prior to the commencement of any civil works under Part A of the Project, but not later than December 31, 2010, Punjab through IPD shall employ, under terms of reference satisfactory to the Bank, and thereafter maintain throughout the period of implementation of the Project, duly qualified and experienced monitoring and evaluation consultants (M&E Consultants), acceptable to the Bank, to assist the PMO in executing the Project, including in: (i) the supervision, monitoring and evaluation of Project implementation; (ii) the analysis of the Project’s hydrological, environmental, social and economic impact, (iii) the implementation of, and compliance with, the SDAP, EMP, LARF and, if triggered, any RAPs, (iv) the monitoring of Punjab’s irrigation reform program and transfer of irrigation management to Farmers’ Organizations; and (v) the assessment of the likelihood that the Project shall achieve its development objectives.

5. Punjab through IPD shall require that the M&E Consultant: (i) carry out the monitoring of the irrigation reform program and transfer of irrigation management to Farmers’ Organizations; and (ii) prepare, on a quarterly basis, commencing on March 31, 2011, and furnish to the Recipient and the Bank, within the following five business (5) days after the end of each such calendar quarter, an assessment report on the implementation of the said transfer and reforms, and the achievement of pre-agreed milestones.
6. Punjab through the IDP shall select, by not later than February 28, 2011, and thereafter maintain throughout the period of Project implementation, an experienced and qualified non-governmental organization, satisfactory to the Bank, under terms of reference acceptable to the Bank, to be responsible for the carrying out of the seeds distribution schemes provided for in the SDAP.

B. Implementation Standards and Manuals

1. Punjab through IPD shall ensure that the technical designs for construction works are: (a) based on sound international standards and prepared with due regard of, and adequate consideration to, the foreseeable environmental and social implications of any such works; and (b) thoroughly reviewed and approved by the Panel of Experts prior to their initiation.

2. Punjab shall carry out the Project in accordance with the Procurement Manual and the Financial Management Manual, and except as the Bank shall otherwise agree, shall not amend, abrogate, waive, suspend or terminate either manual, whether in whole or in part, if, in the opinion of the Bank, such amendment, abrogation, waiver, suspension or termination might materially and adversely affect the implementation of the Project and/or the achievement of the objectives thereof.

3. The Punjab through IPD shall:

   (a) prepare, by no later than March 31, each year, commencing on March 31, 2011, a Annual Work Plan, in a manner and substance satisfactory to the Bank, setting out the time-bound program of Project activities for the following fiscal year of Punjab, including: (i) a forecast of the funds required for Project implementation, with a breakdown by expected financing sources; (ii) an update of the Project’s disbursement profile; (iii) a detail of the actions planned in order to mitigate negative impacts during construction; and (iv) the targeted Project indicators to be achieved during the fiscal year covered by the plan;

   (b) furnish to the Bank the drafts of each Annual Work Plan for review and comments by the Bank; and

   (c) immediately thereafter, implement the work programs under each Annual Work Plan taking into consideration the recommendations provided by the Bank.

C. Anti-Corruption

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

D. Safeguards.

1. Punjab through IDP shall ensure that:
(a) all Project activities be implemented in accordance with the Social Development Action Plan, the Environmental Management Plan and the Land Acquisition and Resettlement Framework; the objectives, policies and procedures thereof; and the social and environmental mitigation measures and monitoring requirements provided therein;

(b) no activities involving land takings or giving raise to Displaced Persons will be carried out under the Project without the prior approval of the Bank. In the event that any land taking or displacement of persons be required for the Project, Punjab through IPD shall, prior to the implementation of any such activities: (i) prepare and adopt a Resettlement Action Plan in terms and substance satisfactory to the Bank; (ii) disclose said Resettlement Action Plan to the affected persons/communities; and (iii) implement the mitigation and compensatory measures devised in said Resettlement Action Plan to the satisfaction of the Bank; and

(c) the Social Development Action Plan, the Environmental Management Plan, the Land Acquisition Resettlement Framework and/or any agreed Resettlement Action Plans will be implemented with due diligence and efficiency, and will not be amended, waived, terminated, suspended or abrogated, whether in whole or in part, without the prior concurrence (no-objection) of the Bank, if, in the opinion of the Bank, such amendment, waiver, termination, suspension and/or abrogation might materially or adversely compromise the successful implementation of the Project, or the achievement of the Project objectives.

2. Throughout the period of implementation of the Project, Punjab shall:

(a) make its best efforts, during the construction season, to:

   (i) maintain a constant flow of water in the Indus river, sufficient to meet the water supply requirements for irrigation and household consumption for the communities downstream of the Jinnah Barrage;

   (ii) maintain a constant and sufficient flow of water through the Thal Canal in order to meet the water supply requirements for irrigation and household consumption for the communities served by the Thal Canal system (except for the normal annual maintenance closure of the canal); and

   (iii) ensure that the annual maintenance closure of the Thal Canal water off-take from the Jinnah Barrage does not exceed the annual average historical pattern of closure period of approximately twenty one (21) days per year.

(b) carry out a communications campaign, in a manner and substance satisfactory to the Bank, to keep the stakeholders served by the Thal Canal system informed about the construction plans and advancement of civil works, any possible adverse effects (including normal and extended canal closure schedules) and the
mitigation measures to be implemented, as well as the stakeholders’ entitlements pursuant to the SDAP, the EMP or the RAPs, as the case may be.

3. Punjab through IPD shall establish, by no later than December 31, 2010, a grievance redressal mechanism, in a manner and substance satisfactory to the Bank in order to receive and expeditiously handle any stakeholders’ and/or Displaced Persons’ complaints related to the Project. The mechanism shall include the establishment of a grievance redress cell headed by the PMO’s Project Director, assisted by an irrigation engineer, the Deputy Directors of the PMO’s sociology and environmental units, the M&E Consultants, a sub-divisional officer and representatives of the local administrations and communities, and provided with sufficient resources, competencies and powers, in terms acceptable to the Bank.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. Punjab through IPD shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators agreed with the Bank. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Borrower and the Bank not later forty five (45) days after the end of the period covered by such report.

2. Notwithstanding the provisions of paragraphs (1) above, Punjab through IPD undertakes to prepare, by no later than March 31 of each year, commencing on March 31, 2011, and furnish to the Borrower and the Bank, an annualized Project Report, in a manner and substance satisfactory to the Bank, integrating the Project Reports prepared under paragraph (1) above, covering the preceding calendar year, and comprising, inter alia: (i) an explanation of the progress achieved in Project implementation by component and sub-component; (ii) the implementation of the SDAP, EMP, LARF and RAPs, as the case may be; (iii) the status of key performance indicators and the operations of Jinnah Barrage, Thal Canal and other Project facilities; and (iv) the Annual Work Plan.

3. Notwithstanding the provisions of paragraph (1) and (2) above, Punjab through IPD shall:

(a) prepare, by no later than October 31, 2013, and furnish to the Borrower and the Bank, a mid-term review report, in a manner and substance satisfactory to the Bank, integrating the results of the monitoring and evaluation activities performed pursuant to paragraphs (1) and (2) above 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 objectives thereof during the period following such date; and

(b) review with the Bank, by November 30, 2013, or such later date as the Bank shall request, the mid-term review report referred in sub-paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the
Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.

B. Financial Management, Financial Reports and Audits

1. Punjab shall maintain a financial management system and prepare Financial Statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of Punjab, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, Punjab shall prepare and furnish to the Borrower and the Bank, not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering said quarter of Project expenditures in form and substance satisfactory to the Bank.

3. Punjab shall have the Financial Statements for the Project’s operations resources and expenditures referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these Financial Statements shall cover the period of one fiscal year of Project Implementing Entity, commencing with the fiscal year in which the first withdrawal was made under the Project. The audited Financial Statements for each period shall be furnished to the Borrower and the Bank not later than six months after the end of the period.

Section III. Procurement

A. General Arrangements

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

B. Procurement Risk Management

1. Punjab shall vest all procurement responsibilities in respect of:

   (a) Parts A, B.1(ii), B.2, C and D of the Project, in the PMO;

   (b) Part B.1(i) of the Project, in the PMIU; and

   (c) Water supply schemes under Part A.3, in Punjab’s Public Health Engineering Department.

2. Punjab through IPD shall establish by no later than December 31, 2010, and thereafter 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 Bank, including a freely and publicly
accessible website showing the procurement plan and procurement notices, invitations to bid, bidding documents and requests for proposals, as well as the procurement status of various contracts, including status of evaluation, complaints and actions taken, contract awards and contract performance. Punjab further undertakes to maintain such system and website updated throughout the period of implementation of the Project; and

(b) a system for the handling of procurement complaints, in a manner and substance acceptable to the Bank, which system shall include, *inter alia*, the maintenance of a complaint database, a standard protocol setting forth triggers for carrying out investigations, and a sanctions regime. The system shall apply to complaints in respect of both the PMO’s and the PMIU’s procurement decisions. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the Bank’s prescribed complaint redress mechanism shall apply.