

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5686-PK

Financing Agreement

(Disaster and Climate Resilience Improvement Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated

July 30, 2015

CREDIT NUMBER 5686- PK

FINANCING AGREEMENT

AGREEMENT dated July 30, 2015, entered into between ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent eighty-eight million and nine hundred thousand Special Drawing Rights (SDR 88,900,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are September 1st and March 1st in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall:

- (a) cause Sub-Components 1.1(a), 1.2(a) and 1.3 of the Project to be carried out by the Province of Punjab through the Punjab Irrigation Department (collectively, the “Punjab Irrigation Department’s Respective Part of the Project”), and Sub-components 2.1(a), 2.2(a), 2.3(a), 2.3(b), 2.3(c) and 3.1 of the Project, to be carried out by the Province of Punjab, through its Provincial Disaster Management Authority (collectively, the “Punjab Provincial Disaster Management Authority’s Respective Part of the Project”), in each case in accordance with the provisions of Article IV of the General Conditions and the Project Agreement;
- (b) cause Sub-Components 1.1(b), 1.2(b), 2.1(b), 2.2(b), and 3.2 of the Project (collectively, the “State’s Respective Part of the Project”) to be carried out by the State, in accordance with the provisions of Article IV of the General Conditions and the Subsidiary Agreement; and
- (c) cause Component 4 of the Project to be carried out by the Coordinating Authority designated in accordance with the provisions of Section I.D.1(a)(i) of Schedule 2 to this Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that the Project Implementing Entities' Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of either Project Implementing Entity to perform any of its obligations under the Project Agreement or the Subsidiary Agreement, as the case may be.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Economic Affairs Division of the Ministry of Finance, Economic Affairs, Revenue, Statistics and Privatization, each such person acting individually.
- 6.02. The Recipient's Address is:

Economic Affairs Division
Ministry of Finance, Economic Affairs, Revenue,
Statistics and Privatization
Islamabad
Pakistan

Facsimile:

92-51-921-8976

6.03. The Association's Address is:

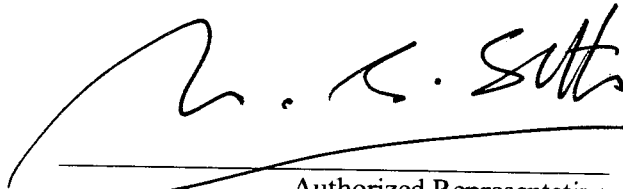
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

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

ISLAMIC REPUBLIC OF PAKISTAN

By



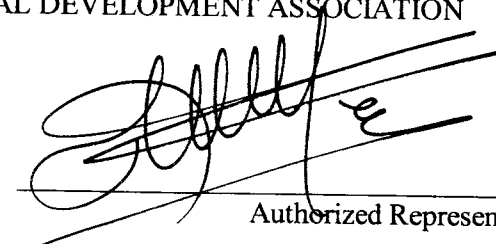
Authorized Representative

Name: **MUHAMMAD SALEEM SETHI**
Secretary

Title: **Economic Affairs Division**
Government of Pakistan
Islamabad

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Rachid Benmessaoud

Title: Country Director, Pakistan
World Bank

SCHEDULE 1

Project Description

The objectives of the Project are: (i) to support restoration of flood protection infrastructure; and (ii) to strengthen the Recipient's capacity to manage disasters and climate variability.

The Project consists of the following parts:

Component 1: Restoring Flood Protection Infrastructure and Upgrading Flood Management Systems

- 1.1 Carrying out flood protection works, (a) in Punjab and (b) in the State, in each case through:
 - (i) the restoration of flood embankments to resilient standards; and
 - (ii) the rehabilitation of other infrastructure such as spurs and river channelization works.
- 1.2 Conducting feasibility studies and diagnostics for medium- to long-term works (a) in Punjab and (b) in the State, in each case including surveys, design, environmental and social impact assessments.
- 1.3 Upgrading of flood management systems in Punjab, through:
 - (a) the establishment of a decision support system with its required telemetry system;
 - (b) the establishment of safety evaluation of flood protection structures, including capacity building and provision of equipment for structural safety assessments;
 - (c) the provision of support to the Irrigation Research Institute to undertake studies and trainings on improving design, operations, and maintenance of flood protection infrastructure; and
 - (d) the carrying out of river morphology studies and floodplain mapping of selected eastern rivers impacted by the 2014 floods to identify risks including climate variability and possible mitigation measures.

Component 2. Managing Disasters and Climate Variability

- 2.1 Improving disaster and climate risk identification, through the carrying out of studies on (a) urban and flash flooding in Punjab; and (b) slope stabilization in the State.
- 2.2 Supporting institutional strengthening for disaster risk and climate variability management, (a) in Punjab and (b) in the State, in each case through:
- (i) institutional and policy review;
 - (ii) strengthening of disaster management authorities, including the development of the institutional set up and operational capacities (including early warning systems) from the Provincial to the District levels;
- and, in the case of Punjab only:
- (iii) mainstreaming disaster risk and climate variability management in the planning process in collaboration with Planning and Development Department, Punjab.
- 2.3 Improving fiscal resilience, through the provision of:
- (a) support to develop disaster risk finance strategies at the Province of Punjab level;
 - (b) advisory services to the Punjab Provincial Disaster Management Fund, for the development of an appropriate governance structure, standard operating procedures, fiduciary safeguards and controls and transparent allocation criteria; and
 - (c) support to develop a standard system for emergency cash transfers in Punjab.

Component 3. Project Management

Providing support to entities involved in the implementation of the Project, at:

- 3.1 the Province of Punjab level; and
- 3.2 the State level.

Component 4. Contingent Emergency Response.

Providing immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending Arrangements

1. To facilitate the carrying out of the Punjab Irrigation Department's Respective Part of the Project and the Punjab Provincial Disaster Management Authority's Respective Part of the Project (collectively referred to as the "Punjab Respective Part of the Project"), the Recipient shall make the proceeds of the Financing allocated from time to time to Categories 1 and 2 of the table set forth in Section IV.A.2 of this Schedule available to Punjab under the same terms and conditions under which they are made available by the Association to the Recipient and in accordance with the Relending Policy.
2. To facilitate the carrying out of the State's Respective Part of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time to Category 3 of the table set forth in Section IV.A.2 of this Schedule available to the State under terms and conditions acceptable to the Association and in accordance with the Relending Policy.
3. Notwithstanding the provisions of the preceding paragraphs (1) and (2) of this Part A, in the event of a conflict between the Relending Policy and the provisions of this Agreement, including such additional instructions as the Association shall have specified by notice to the Recipient pursuant to Section IV.A.1 of this Schedule, the provisions of this Agreement, including said additional instructions, shall govern.
4. The Recipient shall exercise its rights under the on-lending arrangements referred to in paragraphs (1) and (2) of this Part A in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive its rights or obligations under said arrangements.

B. Subsidiary Agreement

1. To facilitate the carrying out of the State's Respective Part of the Project, the Recipient shall enter into a subsidiary agreement between the Recipient and the State, setting forth the State's responsibilities, rights and obligations in carrying out the State's Respective Part of the Project (the "Subsidiary Agreement").
2. Without limitation to the provisions of the immediately preceding paragraph (1), the Subsidiary Agreement shall contain terms and conditions acceptable to the Association, including those set forth in Attachment 1 to this Schedule.

3. The Recipient shall ensure that the State: (a) performs all obligations set forth in Attachment 1 to this Schedule and in the Subsidiary Agreement; and (b) takes or causes to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to comply with the provisions of Attachment 1 to this Schedule and the Subsidiary Agreement, and to achieve the Project's development objectives.
4. The Recipient shall:
 - (a) exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing; and
 - (b) refrain from assigning, amending, abrogating or waiving the Subsidiary Agreement or any of its provisions, without the prior written concurrence of the Association.
5. In the event of any conflict between any provision of the Subsidiary Agreement and any provision of this Agreement, the provisions of this Agreement shall prevail.

C. Contingent Emergency Response

1. In order to ensure the proper implementation of Component 4 of the Project (Contingent Emergency Response) ("CER Component"), the Recipient shall take the following measures:
 - (a) prepare (or cause to be prepared) and furnish to the Association for its review and approval, an operations manual (the "CER Operations Manual") which shall set forth detailed implementation arrangements for the CER Component, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the CER Component ("Coordinating Authority"); (ii) specific activities which may be included in the CER Component, eligible expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the CER Component; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CER Component; (v) documentation required for withdrawals of funds for the financing of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the CER Component, consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the CER Component;

- (b) afford the Association a reasonable opportunity to review said proposed CER Operations Manual;
 - (c) promptly adopt the CER Operations Manual for the CER Component as shall have been approved by the Association;
 - (d) ensure that the CER Component is carried out in accordance with the CER Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the CER Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
 - (e) refrain from amending, suspending, abrogating, repealing or waiving any provision of the CER Operations Manual without prior approval by the Association.
2. The Recipient shall, throughout the implementation of the CER Component, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities under the CER Component (and no activities shall be included in the CER Component) until the following conditions have been met in respect of said activities:
- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CER Component in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
 - (b) the Recipient has prepared (or caused to be prepared) and disclosed all safeguards instruments required for said activities, in accordance with the CER Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments and the Association's Policies.

D. Anti-Corruption

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

E. Safeguards.

1. The Recipient shall ensure, and cause each Project Implementing Entity to ensure, that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Association Policies, as well as the Recipient's own laws relating to the environment and social aspects relevant to the Project.
2. The Recipient shall ensure, and cause each Project Implementing Entity to ensure, that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents. In particular, the Recipient shall ensure that:
 - (a) for each activity under the Project of a type for which the Environmental and Social Management Framework provides that an Environmental and Social Management Plan should be prepared, such Environmental and Social Management Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Environmental and Social Management Framework, and the relevant activity is implemented in accordance with its Environmental and Social Management Plan; and
 - (b)
 - (i) for each activity under the Project of a type for which the Resettlement Policy Framework provides that a Resettlement Action Plan should be prepared, such Resettlement Action Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement Policy Framework, and the relevant activity is implemented in accordance with its Resettlement Action Plan.
 - (ii) Without limitation to the generality of the foregoing provisions in subparagraph (i) immediately above, the Recipient shall ensure, and cause each Project Implementing Entity to ensure, that prior to commencing any works under its Respective Part of the Project: (a) all necessary governmental permits and clearances for such civil works shall have been obtained from the competent governmental authority/ies; (b) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and (c) all resettlement measures for the respective civil works set forth in the applicable Resettlement Action Plan shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all

Displaced Persons, as per the entitlements provided in the Resettlement Policy Framework and/or the applicable Resettlement Action Plan.

3. Without limitation to the generality of the foregoing provisions in subparagraph (2) immediately above, the Recipient shall ensure, and cause each Project Implementing Entity to ensure, that each contract for civil works under its Respective Part of the Project includes the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.
4. The Recipient shall ensure, and cause each of the Project Implementing Entities to ensure, that:
 - (a) in the event that any private land is required for the Project, and without limitation to the generality of the foregoing provisions in subparagraph (2)(b) immediately above, the Recipient, in consultation with the Association, shall or shall cause the relevant Project Implementing Entity to, as the case may be, ensure that such land be obtained on a willing-buyer-willing-seller basis and on replacement cost, or as a voluntary donation or bequest, in each case in conformity with the requirements of the Resettlement Policy Framework; and
 - (b) the activities under the Project: (i) do not have any significant, irreversible or long-term environmental or social impacts, (ii) do not involve any greenfield construction, (iii) do not involve an works in protected areas or in or around sensitive natural habitats, (iv) do not cause any degradation of forestry or damage to physical cultural resources, (v) do not involve work on any flood infrastructure up to or more than 10 meters in height, (vi) do not trigger the requirement under the Recipient's Environmental Protection Act (1997) as amended and relevant guidelines that an environmental impact assessment be carried out; and (vii) do not cause any resettlement or loss of livelihood, other than those referred to in subparagraph (a) immediately above.
5. The Recipient shall ensure, and cause each of the Project Implementing Entities to ensure, that the following expenditures for its Respective Part of the Project are financed exclusively out of its resources other than the Financing, and, to this end, shall provide, as promptly as needed, the resources required therefor, namely:
 - (a) all land acquisition required for the purpose of its Respective Part of the Project, if any; and
 - (b) any compensation, resettlement and rehabilitation payment to Displaced Persons in accordance with the provision of the Resettlement Action Plans.

6. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any of the Project Implementing Entities or any other entity participating in the implementation of the Project to do so.
7. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, and shall cause the any of the Project Implementing Entities to, regularly collect, compile and submit to the Association, on a semi-annual basis, reports on the status of compliance with the Safeguard Documents, giving details of: (a) measures taken in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.
8. The Recipient shall, and shall cause the any of the Project Implementing Entities to, strengthen, maintain and operate throughout the period of Project implementation, a grievance redress mechanism (the "GRM") for the handling of any stakeholder complaints arising out of the implementation of its Respective Part of the Project activities. The operation and procedures of the GRM shall be subject to guidelines agreed between the Recipient and the Association.
9. In the event that any provision of the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

F. Project Operations Manual

1. No later than one (1) month after the Effective Date and prior to incurring any expenditures for goods or works for the implementation of Component 2 of the Project unless otherwise expressly agreed by the Association in writing, the Recipient shall, and shall cause each of the Project Implementing Entities to, prepare and adopt the Project Operations Manual, in form and substance acceptable to the Association.
2. The Project Operations Manual shall set forth:
 - (a) (i) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (ii) the detailed institutional arrangements in respect thereto, including allocation of responsibilities, required staff and minimum qualifications thereof;
 - (b) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of

funds) procedures for the Project; which procedures shall be consistent with those of the Financing Agreement and the Association's instructions thereunder, as well as the requirements of the Subsidiary Agreement and the Project Agreement;

- (c) (i) the procedural steps for the update of the Procurement Plan; and (ii) an outline of the mechanism for the settlement of procurement complaints and the disclosure of critical procurement information (website maintenance);
 - (d) the guidelines for training and capacity building activities under the Project; and
 - (e) the plan for monitoring and supervision of Project activities, including all technical environmental and social aspects in relation thereto.
3. (a) The Recipient shall ensure that the Project is carried out in accordance with the Project Operations Manual.
- (b) The Recipient shall obtain from the Association written agreement prior to assigning, amending, abrogating, or waiving the Project Operations Manual, or any provision thereof, or permitting any of the Project Implementing Entities or other any other entity participating in the implementation of the Project to do so.
4. In the event of any conflict between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

G. Annual Work Plans and Budgets

1. Each year, the Recipient shall prepare, or cause to be prepared:
- (a) a draft annual work plan and budget for the Project (including Training and Operating Costs) (an "Annual Work Plan and Budget") for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested; and
 - (b) the evidence, in form and substance satisfactory to the Association, that all Safeguard Documents required prior to the implementation of the activities included in the draft Annual Work Plan and Budget have been prepared or are in the process of being prepared so as to be available in form and substance acceptable to the Association and disclosed in accordance with the Association Policies before approval by the Association of the bidding documents for each activity.

2. The Recipient shall furnish to the Association, as soon as available, but in any case not later than January 31st of each year, the Annual Work Plans and Budgets and the evidences referred to in subparagraph 1(b) above, for the Association's review and comments; except for the Annual Work Plan and Budget for the Project for the first year of Project implementation, and the evidence which may be required for the implementation of the activities included in the draft Annual Work Plan and Budget for such period which shall be furnished no later than one (1) month after the Effective Date.
3. Training shall be carried out on the basis of Annual Work Plans and Budgets, which shall, *inter alia*, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.
4. The Recipient shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.
5. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior approval.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient 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 indicators acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Project In-Depth and Midterm Reviews

The Recipient shall:

1. carry out jointly with the Association and each of the Project Implementing Entities:
 - (a) not later than twelve (12) months after the Effective Date, or such other period as may be agreed with the Association, an in-depth review of the Project; and

- (b) not later than thirty (30) months after the Effective Date, or such other date as may be agreed with the Association, a midterm review of the Project;

in each case, to assess the status of Project implementation, as measured against the indicators set forth in the Project Operations Manual and the legal covenants included in this Agreement, the Subsidiary Agreement or the Project Agreement, as the case may be. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of safeguards measures; (v) implementation arrangements and Project staff turnover; and (vi) the need to make any adjustments to the Project and reallocate funds to improve performance;

2. to this end,

- (a) prepare and furnish to the Association and cause each of the Project Implementing Entities to 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 Section II.A.1 of this Schedule and Section II.A.1 of the Schedule to the Project Agreement and the corresponding section of the Subsidiary Agreement, 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
- (b) review jointly with the Association and each of the Project Implementing Entities the report referred to in the preceding paragraph and thereafter cause each of the Project Implementing Entities to 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 such report and the Association's views on the matter.

C. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar semester (six-month-period), interim

unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

D. Performance

1. The Recipient shall, and shall cause each of the Project Implementing Entities to ensure that:

- (a) members of the PIUs are at all times selected or recruited on the basis of terms of reference, qualifications and experience satisfactory to the Association;
- (b) full financial and administrative authority for the Project is delegated to the head of the PIUs;
- (c) each PIUs' head is working full time as for the Project; and
- (d)
 - (i) the performances of the key management, fiduciary and technical staff members/consultants of the PIUs,
 - (ii) the timely carrying out of the respective contribution of the key management, fiduciary and technical staff members/consultants of the PIUs to the Annual Work Plans and Budgets, and
 - (iii) the review of the activities undertaken for the implementation of the Annual Work Plans and Budgets,

will be assessed by the Recipient and each of the Project Implementing Entities, in conjunction with the Association on a six-monthly basis, unless otherwise agreed between the Project Implementing Entities, the Recipient and the Association.

2. Without limitation to the generality of the provisions of Section 3.01 of this Agreement, Section I.3 of Attachment 1 to this Schedule, Section 2.01 of the Project Agreement and Section 4.03 of the General Conditions, before deciding to replace any key management, fiduciary or technical staff member or consultant of any of the PIUs, the Recipient shall ensure that the relevant Project Implementing Entity shall exchange views with the Association and the Recipient on: (a) the performance of such staff member; (b) the justification for such replacement; (c) the potential adverse impact of such replacement on the satisfactory

implementation of the Project and the achievement of its objectives, and (d) proposed mitigation measures of such impact on the Project.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Attachment 2 to this Schedule; (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for

procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Other Covenants

1. Grievance Redress Mechanism. No later than six (6) months after the Effective Date, the Recipient shall establish (or cause to be established) and thereafter maintain throughout Project implementation, a system for the handling of procurement complaints in form and substance acceptable to the Association, 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.
2. Procurement Record Keeping. No later than six (6) months after the Effective Date, the Recipient shall establish and thereafter maintain throughout Project implementation, a procurement documentation and record keeping system in form and substance acceptable to the Association, including a publicly accessible website, in a format agreed with the Association, showing, *inter alia*, the Project procurement plans, complete bidding documents, 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.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consultants’ services, including Training and Operating Costs for the Punjab Irrigation Department’s Respective Part of the Project	59,730,000	100%
(2) Goods, works, non-consulting services, and consultants’ services, including Training and Operating Costs for the Punjab Provincial Disaster Management Authority’s Respective Part of the Project	11,380,000	100%
(3) Goods, works, non-consulting services, and consultants’ services, including Training and Operating Costs for the State’s Respective Part of the Project	17,790,000	100%
(4) Emergency Expenditures for Component 5 of the Project	0	100%
TOTAL AMOUNT	88,900,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed Thirty-five million Five hundreded Sixty thousand Special Drawing Rights (SDR 35,560,000) may be made for payments made prior to this date but on or after September 1, 2014, for Eligible Expenditures;
- (b) under Category (3), unless and until the Association has received:
 - (i) a copy of the Subsidiary Agreement, in form and substance acceptable to the Association, duly signed by the Recipient and the State; as well as
 - (ii) the original of a legal opinion addressed to the Association, satisfactory to the Association, of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Recipient, showing on behalf of the Recipient and the State, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the State and is legally binding upon the Recipient and the State in accordance with its terms; or
- (c) under Category (4), unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of the activities to be financed from the funds allocated to said Category:
 - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CER Component in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (ii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.C.2 of this Schedule 2 to this Agreement, for the purposes of said activities;
 - (iii) the Recipient has adopted a CER Operations Manual in form, substance and manner acceptable to the Association whose provisions remain appropriate for the inclusion in and implementation of said activities under, the CER Component; and
 - (iv) the Recipient has prepared and disclosed or caused to be prepared and disclosed all safeguards instruments required for activities,

and has implemented any actions which are required to be taken under such documents and the Association Policies, all in accordance with the provisions of Section I.C.3(b) of Schedule 2 to this Agreement.

2. The Closing Date is December 1, 2019.

ATTACHMENT 1 to SCHEDULE 2

Terms and Conditions Applicable to the Subsidiary Agreement

For the purposes of Section I.B of Schedule 2 to this Agreement, the Subsidiary Agreement to be entered into by the Recipient and the State (a Project Implementing Entity) shall comprise, *inter alia*, the following terms and conditions:

Section I General Principles

1. The General Conditions (as defined in the Appendix to the Financing Agreement) shall constitute an integral part of the Subsidiary Agreement.
2. For purposes of paragraph 1 above:
 - (a) any reference in the General Condition to the “Project Agreement” shall be deemed a reference to the “Subsidiary Agreement”;
 - (b) the term “Legal Agreement” shall be construed as a reference to either the Financing Agreement or the Subsidiary Agreement, as applicable, except for Section 1.02 of the General Conditions where it should be construed as referring to the Financing Agreement exclusively; and
 - (c) the term “Legal Agreements” shall be construed as referring to the Financing Agreement and the Subsidiary Agreement collectively.
3. The Project Implementing Entity shall declare its commitment to the objectives of the Project, and to this end, shall:
 - (a) carry out its Respective Part of the Project in accordance with the provisions of Article IV of the General Conditions; and
 - (b) provide, promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
4. For purposes of Section 8.05(c) of the General Conditions, the date on which the provision of the Subsidiary Agreement shall terminate (other than those providing for payment obligations) is twenty (20) years after the date of the Financing Agreement.

Section II Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain the following institutional arrangements for the implementation of its Respective Part of the Project, further described in the Project Operations Manual, throughout the implementation of its Respective Part of the Project:

(a) State planning and development department

The Project Implementing Entity, acting through department responsible for planning and development, shall be responsible for the day-to-day implementation of the State Respective Part of the Project until completion of all activities thereunder.

(b) State Project Implementation Unit

(i) No later than one (1) month after the Effective Date and prior to incurring expenditures under the State's Respective Part of the Project other than for the establishment and staffing of the State Project Implementation Unit (SPIU) or as otherwise agreed with the Association in writing, the Project Implementing Entity shall establish within its planning and development department, and thereafter maintain the SPIU, with mandate, composition and resources acceptable to the Association. In particular, the Project Implementing Entity shall maintain in the SPIU at all times staff in adequate number, each with terms of reference, qualifications and experience satisfactory to the Association.

(ii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, the SPIU shall be responsible for the fiduciary and other aspects of the implementation of the State's Respective Part of the Project, including reporting, monitoring and evaluation, procurement control, financial management, audit and disbursements, compliance with applicable Safeguard Documents as well as coordination with the line agencies involved in the Project and the Association.

(iii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, the SPIU shall include, *inter alia*, from a date no later than one (1) month after the Effective Date: (i) a procurement specialist; and (ii) a financial management specialist. In addition, no later than two (2) months after the Effective Date, the Project Implementing Entity shall select and

contract the services of a procurement management capacity building firm for the provision of support to the SPIU on the basis of terms of reference, qualification and experience satisfactory to the Association.

2. Anti-Corruption

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

3. Safeguards.

- (a) The Project Implementing Entity shall ensure that all terms of reference for any technical assistance or studies carried out under its Respective Part of the Project are consistent with, and pay due attention to, the Association's Policies, as well as the Project Implementing Entity's own laws relating to the environment and social aspects relevant to the Project.
- (b) The Project Implementing Entity shall ensure that its Respective Part of the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents. In particular, the Project Implementing Entity shall ensure that:
 - (i) for each activity under the State's Respective Part of the Project of a type for which the Environmental and Social Management Framework provides that an Environmental and Social Management Plan should be prepared, such Environmental and Social Management Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Environmental and Social Management Framework, and the relevant activity is implemented in accordance with its Environmental and Social Management Plan; and
 - (ii) (A) for each activity under the State's Respective Part of the Project of a type for which the Resettlement Policy Framework provides that a Resettlement Action Plan should be prepared, such Resettlement Action Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement Policy Framework, and the relevant activity is implemented in accordance with its Resettlement Action Plan.

- (B) Without limitation to the generality of the foregoing provisions in subparagraph (A) immediately above, the Project Implementing Entity shall ensure that, prior to commencing any works under its Respective Part of the Project: (a) all necessary governmental permits and clearances for such civil works shall have been obtained from the competent governmental authority/ies; (b) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and (c) all resettlement measures for the respective civil works set forth in the applicable Resettlement Action Plan shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the Resettlement Policy Framework and/or the applicable Resettlement Action Plan.
- (c) Without limitation to the generality of the foregoing provisions in subparagraph (b) immediately above, the Project Implementing Entity shall ensure that each contract for civil works under its Respective Part of the Project includes the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.
- (d) The Project Implementing Entity shall ensure that the activities under its Respective Part of the Project:
- (i) do not involve, or result in, any land acquisition or involuntary resettlement. Nevertheless, in the event that any private land is required for the State's Respective Part of the Project, and without limitation to the generality of the foregoing provisions in subparagraph (b)(ii) immediately above, the Project Implementing Entity shall ensure that such land be obtained on a willing-buyer-willing-seller basis and on replacement cost, or as a voluntary donation or bequest, in each case in conformity with the requirements of the Resettlement Policy Framework;
 - (ii) (A) do not have any significant, irreversible or long-term environmental or social impacts, (B) do not involve any greenfield construction, (C) do not involve any works in protected areas or in or around sensitive natural habitats, (D) do not cause any degradation of forestry or damage to physical cultural resources, (E) do not involve work on any flood infrastructure up to or more than 10 meters in height, (F) does not trigger the requirement for an Environmental Impact Assessment according to Pakistan

Environmental Protection Act (1997) as amended and relevant guidelines and (G) does not cause any resettlement or loss of livelihood other than those referred to in sub-paragraph (b)(ii) immediately above.

- (e) The Project Implementing Entity shall ensure that the following expenditures for its Respective Part of the Project are financed exclusively out of resources other than the proceeds of the Credit, and, to this end, shall provide, as promptly as needed, the resources required therefor, namely:
 - (i) all land acquisition required for the purpose of its Respective Part of the Project, if any; and
 - (ii) any compensation, resettlement and rehabilitation payment to Displaced Persons in accordance with the provision of the Resettlement Action Plans.
- (f) Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Project Implementing Entity shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents.
- (g) Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and submit to the Recipient and the Association, on a semi-annual basis, reports on the status of compliance with the Safeguard Documents, giving details of: (a) measures taken in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.
- (h) The Project Implementing Entity shall strengthen, maintain and operate throughout the period of implementation of its Respective Part of the Project, a GRM for the handling of any stakeholder complaints arising out of the implementation of its Respective Part of the Project activities. The operation and procedures of the GRM shall be subject to guidelines agreed between the Project Implementing Entity, the Recipient and the Association.
- (i) In the event that any provision of the Safeguard Documents shall conflict with any provision under the Financing Agreement or the Subsidiary

Agreement, the terms of the Financing Agreement or the Subsidiary Agreement shall prevail, in that order.

4. Project Operations Manual

- (a) No later than one (1) month after the Effective Date, and prior to incurring any expenditures for goods or works for the implementation of Components 2 of the Project unless otherwise expressly agreed by the Association in writing, the Project Implementing Entity shall adopt the Project Operations Manual, in form and substance acceptable to the Association.
- (b) The Project Operations Manual shall set forth:
 - (f) (A) the detailed description of the State Respective Part of the Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (B) the detailed institutional arrangements in respect thereto, including allocation of responsibilities, required staff and minimum qualifications thereof;
 - (g) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of funds) procedures for the State Respective Part of the Project; which procedures shall be consistent with those of the Financing Agreement and the Association's instructions thereunder, as well as the requirements of the Subsidiary Agreement;
 - (h) (A) the procedural steps for the update of the Procurement Plan; and (B) an outline of the mechanism for the settlement of procurement complaints and the disclosure of critical procurement information (website maintenance);
 - (i) the guidelines for training and capacity building activities under the State Respective Part of the Project; and
 - (j) the plan for monitoring and supervision of the State Respective Part of the Project activities, including all technical environmental and social aspects in relation thereto.
- (c) (i) The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the Project Operations Manual.

- (ii) The Project Implementing Entity shall obtain the Association written agreement prior to assigning, amending, abrogating, or waiving the Project Operations Manual, or any provision thereof.
- (d) In the event of any conflict between the provisions of the Project Operations Manual and those of the Financing Agreement or the Subsidiary Agreement, the provisions of the Financing Agreement or the Subsidiary Agreement shall prevail, in that order.

Section III Project Monitoring, Reporting and Evaluation

1. Project Reports.

The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports in accordance with the provisions of Section 4.08(b) of the General Conditions and on the basis of indicators agreed with the Recipient and the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient and the Association not later forty five (45) days after the end of the period covered by such report.

2. Project In-Depth and Midterm Reviews

The Project Implementing Entity shall:

- (a) carry out jointly with the Association and the Recipient:
 - (i) not later than twelve (12) months after the Effective Date, or such other period as may be agreed with the Association, an in-depth review of the State's Respective Part of the Project; and
 - (ii) not later than thirty (30) months after the Effective Date, or such other date as may be agreed with the Association, a midterm review of the State's Respective Part of the Project;

in each case, to assess the status of State's Respective Part of the Project implementation, as measured against the indicators set forth in the Project Operations Manual and the legal covenants included in the Financing Agreement and the Subsidiary Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of safeguards measures; (v) implementation arrangements and

Project staff turnover; and (vi) the need to make any adjustments to the State's Respective Part of the Project and reallocate funds to improve performance;

- (b) to this end,
 - (i) prepare and furnish to the Association and the Recipient, 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 Section III.1 of this Attachment 1 and the corresponding section of the Subsidiary Agreement, on the progress achieved in the carrying out of the State's Respective Part 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 State's Respective Part of the Project and the achievement of the objective thereof during the period following such date; and
 - (ii) review jointly with the Association and the Recipient the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the State's Respective Part of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

3. Financial Management, Financial Reports and Audits

- (a) The Project Implementing Entity shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- (b) 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 semester (six-month period), interim unaudited financial reports for its Respective Part of the Project covering the semester, in form and substance satisfactory to the Recipient and the Association.
- (c) The Project Implementing Entity shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the Recipient and the Association not later than six months after the end of such period.

4. Performance

- (a) The Project Implementing Entity shall ensure that:
- (i) members of the SPIU are at all times selected or recruited on the basis of terms of reference, qualifications and experience satisfactory to the Association;
 - (ii) full financial and administrative authority for the State's Respective Part of the Project is delegated to the head of the SPIU;
 - (iii) the SPIU's head is working full time as for the State's Respective Part of the Project; and
 - (iv)
 - (A) the performances of the key management, fiduciary and technical staff members/consultants of the SPIU,
 - (B) the timely carrying out of the respective contribution of the key management, fiduciary and technical staff members/consultants of the SPIU to the Annual Work Plans and Budgets, and
 - (C) the review of the activities undertaken for the implementation of the Annual Work Plans and Budgets,

will be assessed by the Project Implementing Entity, in conjunction with the Recipient and the Association on a six-monthly basis, unless otherwise agreed between the Project Implementing Entity, the Recipient and the Association.

- (b) Without limitation to the generality of the provisions of Section I.3(b) of this Attachment 1, and Section 4.03 of the General Conditions, before deciding to replace any key management, fiduciary or technical staff member or consultant of the SPIU, the Project Implementing Entity shall exchange views with the Association and the Recipient on: (a) the performance of such staff member; (b) the justification for such replacement; (c) the potential adverse impact of such replacement on the satisfactory implementation of the State's Respective Part of the Project and the achievement of its objectives, and (d) proposed mitigation measures of such impact on the State's Respective Part of the Project.

Section IV. Procurement

1. All goods, works and services required for State's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the Consultants Guidelines, the Procurement Guidelines and the provisions of Section III of Schedule 2 to the Financing Agreement.

2. **Grievance Redress Mechanism.** No later than six (6) months after the Effective Date, the Project Implementing Entity shall establish (or cause to be established) and thereafter maintain throughout the implementation of its Respective Part of the Project, a system for the handling of procurement complaints in form and substance acceptable to the Association, 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.

3. **Procurement Record Keeping.** No later than six (6) months after the Effective Date, the Project Implementing Entity shall establish and thereafter maintain throughout the implementation of its Respective Part of the Project, a procurement documentation and record keeping system in form and substance acceptable to the Association, including a publicly accessible website, in a format agreed with the Association, showing, *inter alia*, the procurement plans for its Respective Part of the Project, complete bidding documents, 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.

ATTACHEMENT 2 TO SCHEDULE 2

National Competitive Bidding; Additional Provisions

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those set out in (i) Rule 5 and 38 through the Punjab Public Procurement Rules, 2014 (No. ADMN(PPRA)10-2/2014)) for the Punjab's Respective Part of the Project; or (ii) Rules 5 and 20 through 36(a) of the Federal Public Procurement Rules (2004) (S.R.O. 432(I)/2004) for the Recipient's Part of the Project and the State Part of the Project, with the following additional requirements set forth below in order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. In the event of a conflict between the Recipient's procedures and the additional provisions set out below, the latter shall govern.

- (i) Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.
- (ii) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (iii) Foreign bidders shall not be precluded from bidding, and no preference of any kind shall be given to national bidders in the bidding process.
- (iv) Bidding shall not be restricted to pre-registered firms.
- (v) Qualification criteria shall be stated in the bidding documents.
- (vi) Bids shall be opened in public, immediately after the deadline for the submission of bids.
- (vii) Single bids shall also be evaluated.
- (viii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior written agreement of the Association.
- (ix) Before rejecting all bids and soliciting new bids, the Association's prior written agreement shall be obtained.
- (x) Contracts shall not be awarded on the basis of nationally negotiated rates.

- (xi) Bids shall be solicited and works contracts awarded on the basis of unit prices and not on the basis of composite schedule of rates.
- (xii) Contracts shall be awarded to the lowest evaluated and qualified bidder.
- (xiii) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidder.
- (xiv) Draft contracts shall be reviewed by the Association in accordance with Prior Review procedures.
- (xv) A firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association.
- (xvi) Each contract financed from the proceeds of the Financing shall provide that the suppliers, contractors, and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor, or subcontractor of such provision may amount to an obstructive practice.
- (xvii) Recipient-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.
- (xviii) The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by the Association.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each September 1 st and March 1 st :	
commencing September 1, 2020 to and including March 1, 2030	1.65%
commencing September 1, 2030 to and including March 1, 2040	3.35%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Annual Work Plans and Budgets” means the annual work plans and budgets (including related cash forecasts) for the implementation of the Project reviewed by the Association, referred to in Section I.G.2 of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
3. “Association Policies” means, to the extent that they are applicable to the Project activities, the operational policies and procedures OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.07 (Water Resources Management), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams) contained in the Association’s Operational Manual which can be found on the Association’s website at www.worldbank.org.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CER Component” means Component 4 of the Project.
6. “CER Operations Manual” means the operations manual referred to in Section I.C.1(a) of Schedule 2 to this Agreement, to be adopted by the Recipient for the CER Component in accordance with the provisions of said Section.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
8. “Coordinating Authority” means the entity or entities designated by the Recipient in the CER Operations Manual and approved by the Association pursuant to Section I.C.1(a)(i) of Schedule 2 to this Agreement, to be responsible for coordinating the CER Component of the Project.
9. “Displaced Person” means a person who, on account of the execution of an activity under the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected

areas, resulting in adverse impacts on the livelihood of such person; “Displaced Persons” means all such persons.

10. “District” means a district of Pakistan, which constitutes the third order administrative divisions of the Recipient’s territory.
11. “Economic Affairs Division” means the Recipient’s economic affairs division within its federal ministry responsible for finance, or any successor thereto.
12. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
13. “Emergency Expenditure” means any of the Eligible Expenditures set forth in the CER Operations Manual in accordance with the provisions of Section I.C.1(a)(ii) of Schedule 2 to this Agreement and required for the activities included in the CER Component.
14. “Environmental and Social Management Framework” means, collectively, the Recipient’s document entitled “*Part I Environmental and Social Management Framework (ESMF)*” dated April 2015, as well as, as the case may be, the environmental and social management framework prepared for activities to be included in the CER Component, if any, each detailing: (a) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, including monitoring and institution strengthening, as the same may be amended from time to time in accordance with Section I.F.6 of Schedule 2 to this Agreement. The Environmental and Social Management Framework includes, *inter alia*, a gender analysis and a social inclusion and gender plan, as well as a school awareness program.
15. “Environmental and Social Management Plan” means the Recipient’s or a Project Implementing Entity’s document prepared and disclosed in accordance with the Environmental and Social Management Framework with respect to an activity included under an Annual Work Program and Budget, that details: (i) the measures to be taken during the implementation and operation of such activity to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels, and (ii) the actions needed to implement these measures, as the same may be amended from time to time in accordance with Section I.F.6 of Schedule 2 to this Agreement.
16. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

17. “GRM” means grievance redress mechanism.
18. “Irrigation Research Institute” means the irrigation research institute within the Punjab Irrigation Department, or any successor thereto.
19. “Mid-term Review” is defined in Section II.A.2 of Schedule 2 to this Agreement.
20. “Operating Costs” means the reasonable incremental operating expenses incurred by Punjab or the State, as the case may be, for the Project implementation, management and monitoring, including operation and maintenance costs of office, vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, public awareness-related media expenditures, travel and supervision costs, per diem, additional staff costs, but excluding the salaries of officials and public servants of the Punjab’s or State’s civil service.
21. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 11, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. “Project Agreement” means the agreement entered into between the Association and Punjab, with respect to the implementation of its Respective Part of the Project and the use of part of the proceeds of the Financing made available to such Project Implementing Entity by the Recipient for the financing of its Respective Part of the Project.
24. “Project Implementation Units” or “PIUs” means, collectively, the SPIU, the PIDPIU and the PPDMAPIU.
25. “Project Implementing Entities’ Legislation” means the Recipient’s Act (Act no. XXIV of 2010) for the establishment of a National Disaster Management System of Pakistan.
26. “Project Implementing Entity” means either Punjab or the State, as the context requires, and “Project Implementing Entities” means, collectively, Punjab and the State.
27. “Project Operations Manual” means a set of guidelines and procedures outlined in the Recipient’s document to be prepared and adopted in accordance with Section I.F of Schedule 2 to this Agreement. The documents will lay out roles and responsibilities of different stakeholders and provide details of project processes and project cycle. The Project Operations Manual will further incorporate

experiences gained through implementation of similar projects in Pakistan as well as the outcomes from detailed deliberations, institutional capacity and fiduciary assessments, and risk analyses that were carried out as part of project preparation, as the same may be amended from time to time in accordance with section I.F.3(b) of Schedule 2 to this Agreement.

28. "Province" means a province of Pakistan, which constitutes the first order administrative divisions of the Recipient's territory, and "Provincial" has a corresponding meaning.
29. "Punjab" means the Province of Punjab.
30. "Punjab Irrigation Department's Respective Parts of the Project" is defined in Section 3.01(a) of this Agreement.
31. "Punjab Irrigation Department's Project Implementation Unit" or "PIDPIU" means the implementation unit established by Punjab in accordance with Section I.A.1(e) of the Schedule to the Project Agreement.
32. "Punjab Provincial Disaster Management Authority's Respective Parts of the Project" is defined in Section 3.01(a) of this Agreement.
33. "Punjab Provincial Disaster Management Authority's Project Implementation Unit" or "PPDMAPIU" means the implementation unit established by Punjab in accordance with Section I.A.1(d) of the Schedule to the Project Agreement.
34. "Punjab Provincial Disaster Management Fund" means the fund established under the Recipient's Act (Act no. XXIV of 2010) for the establishment of a National Disaster Management System of Pakistan.
35. "Punjab Respective Part of the Project" means, collectively, the Punjab Provincial Disaster Management Authority's Respective Part of the Project and the Punjab Irrigation Department's Respective Part of the Project.
36. "Relending Policy" means the set of the Recipient's on-lending and budgetary policies and procedures included in EAD's Office Memorandum (Re-Lending of Foreign Loans/Credits) No. 1 (15) SO (DM)/97 dated March 17, 2009.
37. "Respective Part of the Project" means the State Respective Part of the Project or the Punjab Respective Part of the Project, as the context requires.
38. "Resettlement Action Plan" means the Recipient's or a Project Implementing Entity's document prepared and disclosed in accordance with the Resettlement Policy Framework with respect to an activity included under an Annual Work Program and Budget, which, *inter alia*, (i) contains a census survey of Displaced Persons and valuation of their assets, (ii) describes compensation and other

resettlement assistance to be provided, consultation to be conducted with Displaced Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation, and (iii) contains a timetable and budget for the implementation of such measures, as the same may be amended from time to time in accordance with Section I.E.6 of Schedule 2 to this Agreement.

39. "Resettlement Policy Framework" means, collectively, the Recipient's document included in Part II of the Environmental and Social Management Framework, entitled "*Part-II Resettlement Policy Framework (RPF)*", as well as, as the case may be, the resettlement policy framework prepared for activities to be included in the CER Component, if any, each containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons, as the same may be amended from time to time in accordance with Section I.E.6 of Schedule 2 to this Agreement.
40. "Safeguard Documents" means, collectively, the Environmental and Social Management Framework, the Environmental and Social Management Plans prepared in accordance with the Environmental and Social Management Framework, if any, the Resettlement Policy Framework, and the Resettlement Action Plans prepared in accordance with the Resettlement Policy Framework, if any.
41. "State" means the Recipient's first order administrative division having jurisdiction over the following eight (8) Districts: Neelum, Hattian, Bagh, Poonch, Haveli, Kotli, Bhimber and Muzaffarabad.
42. "State Project Implementation Unit" or "SPIU" is defined in Section I.A(b) of Attachment 1 to Schedule 2 to this Agreement and in the Subsidiary Agreement.
43. "State's Respective Part of the Project" is defined in Section 3.01(b) of this Agreement.
44. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement.
47. "Training" means the training of persons involved in Project-supported activities, such term including seminars, workshops, conference and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs of securing the services of trainers, rental of training facilities, preparation and reproduction of training materials and other costs directly related to course preparation and implementation.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

(a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).