

**OFFICIAL
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CREDIT NUMBER 5686-PK

Project Agreement

(Disaster and Climate Resilience Improvement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF PUNJAB

Dated *July 30*, 2015

PROJECT AGREEMENT

Agreement dated July 30, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and PROVINCE OF PUNJAB (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the ISLAMIC REPUBLIC OF PAKISTAN (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Punjab Irrigation Department’s Respective Part of the Project through the Punjab Irrigation Department and the Punjab Provincial Disaster Management Authority’s Respective Part of the Project through its Provincial Disaster Management Authority, all in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

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

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Chairman of Punjab’s Planning and Development Board, or such other person or persons as he/she shall designate in writing.

4.02. The Association's Address is:

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

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

4.03. The Project Implementing Entity's Address is:

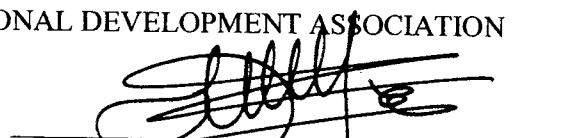
Planning and Development Board
Government of Punjab
Lahore, Pakistan

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By


Authorized Representative

Name: Rachid Benmessaoud

Title: Country Director, World Bank
Pakistan

PROVINCE OF PUNJAB

By


Authorized Representative

Name: Abrid Bodla

Title: Member Infrastructure Dept
Planning & Development
Department, Govt. of
Punjab.

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. 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) Punjab Provincial Disaster Management Authority

The Project Implementing Entity's Provincial Disaster Management Authority shall be responsible for the implementation of the Punjab Provincial Disaster Management Authority's Respective Part of the Project.

(b) Punjab Irrigation Department

The Project Implementing Entity's Punjab Irrigation Department shall be responsible for the implementation of the Punjab Irrigation Department's Respective Part of the Project.

(c) Punjab Provincial Disaster Management Authority's Project Implementation Unit

(i) No later than one (1) month after the Effective Date and prior to incurring expenditures under the Punjab Provincial Disaster Management Authority's Respective Part of the Project other than for the establishment and staffing of the Punjab Provincial Disaster Management Authority's Project Implementation Unit (PPDMAPIU) unless otherwise agreed with the Association in writing, the Project Implementing Entity shall establish within its Provincial Disaster Management Authority, and thereafter maintain, the PPDMAPIU, with mandate, composition and resources acceptable to the Association. In particular, the Project Implementing Entity shall maintain at all times in the PPDMAPIU 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 PPDMAPIU shall be

responsible for the fiduciary and other aspects of the implementation of the Punjab Provincial Disaster Management Authority'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 Punjab Respective Part of the Project and the Association.

- (iii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, the PPDMAPIU 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 PPDMAPIU on the basis of terms of reference, qualification and experience satisfactory to the Association.

- (d) Punjab Irrigation Department's Project Implementation Unit
 - (i) No later than one (1) month after the Effective Date and prior to incurring expenditures under the Punjab Irrigation Department's Respective Part of the Project other than for the establishment and staffing of the Punjab Irrigation Department's Project Implementation Unit (PIDPIU) unless otherwise agreed in writing with the Association, the Project Implementing Entity shall establish within its Irrigation Department, and thereafter maintain, the PIDPIU, with mandate, composition and resources acceptable to the Association. In particular, the Project Implementing Entity shall maintain at all times in PIDPIU 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 PIDPIU shall be responsible for fiduciary and other aspects of the implementation of both physical infrastructure and non-structural aspects of Sub-Components 1.1(a), 1.2(a) and 1.3 of the Project, including, including reporting, monitoring and evaluation, procurement control, financial management, audit and disbursements, compliance with applicable Safeguard Documents as well management and supervision of investments, contract management, monitoring and evaluation.

- (iii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, the PIDPIU 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 PIDPIU on the basis of terms of reference, qualification and experience satisfactory to the Association.

B. 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.

C. 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 Policies, as well as the Project Implementing Entity's own laws relating to the environment and social aspects relevant to the Punjab Respective Part of 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 its 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 its 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 under its Respective Part of the Project that:
 - (i) in the event that any private land is required for its Respective Part of the Project, and without limitation to the generality of the foregoing provisions of 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; and
 - (ii) that the activities: (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 subparagraph (i) 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 Financing, 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 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 Project Agreement, the terms of the Financing Agreement or the Project Agreement shall prevail, in that order.
5. 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 and 3 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:

- (a) (A) the detailed description of its 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;
 - (b) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of funds) procedures for its 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 Project Agreement;
 - (c) (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);
 - (d) the guidelines for training and capacity building activities under its Respective Part of the Project; and
 - (e) the plan for monitoring and supervision of its 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 Project Agreement, the provisions of the Financing Agreement or the Project Agreement shall prevail, in that order.

Section II. Project Monitoring, Reporting and Evaluation

A. 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.

B. Project In-Depth and Midterm Reviews

The Project Implementing Entity shall:

1. carry out jointly with the Association and the Recipient:
 - (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 its Respective Part 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 its Respective Part of the Project;

in each case, to assess the status of its 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 this 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 its Respective Part of the Project and reallocate funds to improve performance;

2. to this end,
 - (a) 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 II.A of the Schedule to this Agreement, on the progress achieved in the carrying out of its 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 its Respective Part of the Project and the achievement of the objective thereof during the period following such date; and
 - (b) 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 its 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.

C. Financial Management, Financial Reports and Audits

1. 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.
2. 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.
3. 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.

D. Performance

- (a) The Project Implementing Entity shall ensure that:
 - (i) members of the PPDMAPIU and PIDPIU, respectively, 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 its Respective Part of the Project is delegated to the head of the PPDMAPIU and PIDPIU, respectively;
 - (iii) the head of the PPDMAPIU and PIDPIU, respectively, is working full time for its Respective Part of the Project; and
 - (iv) (A) the performances of the key management, fiduciary and technical staff members/consultants of the PPDMAPIU and PIDPIU, respectively,

(B) the timely carrying out of the respective contribution of the key management, fiduciary and technical staff members/consultants of the PPDMAPIU and PIDPIU, respectively, 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 2.01 of this Agreement and Section 4.03 of the General Conditions, before deciding to replace any key management, fiduciary or technical staff member or consultant of the PPDMAPIU or the PIDPIU, respectively, 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 its Respective Part of the Project and the achievement of its objectives, and (d) proposed mitigation measures of such impact on its Respective Part of the Project.

Section III. Procurement

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