

Public Disclosure Authorized

OFFICIAL DOCUMENTS

CREDIT NUMBER 6243-PK

Operation Agreement

(Punjab Cities Program)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF PUNJAB

29 May 2018

CREDIT NUMBER 6243-PK

OPERATION AGREEMENT

AGREEMENT between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the PROVINCE OF PUNJAB (“Operation Implementing Entity”) (“Operation Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of the Signature Date between the ISLAMIC REPUBLIC OF PAKISTAN (“Recipient”) and the Association. The Association and the Operation 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) apply to and form 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 — OPERATION

- 2.01. The Operation Implementing Entity declares its commitment to the objectives of the Operation. To this end, the Operation Implementing Entity, through LG&CDD, shall carry out the Operation in accordance with the provisions of the General Conditions and the Schedule to this Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Operation.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 9.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the Signature Date.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Operation Implementing Entity’s Representative is its Secretary of the Planning and Development Department.
- 4.02. For purposes of Section 10.01 of the General Conditions:
 - (a) the Association’s address is:

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

(b) the Association's Electronic Address is:

Facsimile:

+1-202-477-6391

4.03. For purposes of Section 10.01 of the General Conditions:

(a) the Operation Implementing Entity's address is:

Secretary
Planning and Development Department
Government of Punjab
Lahore
Pakistan; and

(b) the Operation Implementing Entity's Electronic Address is:

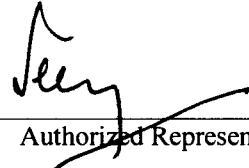
Facsimile:

+92-42-99210182

AGREED, as of the latest of the two dates written below.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Patchamuthu Illangovan

Title: Country Director

Date: 29-05-2018

PROVINCE OF PUNJAB

By



Authorized Representative

Name: Nadeem Irshad Kayani

Title: Secretary, LG CDD-Gopunjab

Date: 29-05-2018

SCHEDULE

Operation Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article V of the General Conditions, the Operation Implementing Entity shall carry out the Program in accordance with financial management, procurement and environmental and social management systems acceptable to the Association which are designed to ensure that:

- (a) the Credit proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
- (b) the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Program Operations Manual

1. The Operation Implementing Entity shall:
 - (a) prepare and furnish to the Association for its review, a Program Operations Manual setting out detailed institutional, administrative, financial, technical and operational guidelines and procedures for the implementation of the Program, Program Action Plan, and including:
 - (i) detailed disbursement calculation formula; (ii) detailed safeguards, financial management (including funds flow and budgeting) and procurement arrangements; and
 - (iii) a monitoring and verification system for the Program;
 - (b) within one (1) month after the Effective Date, adopt such Program Operation Manual as shall have been approved by the Association and thereafter, implement the Program in accordance with the Program Operation Manual; and
 - (c) shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended any provision of the Operation Manual without the prior written agreement of the Association.
2. Notwithstanding the foregoing, if any provision of the Operation Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Program Action Plan

The Operation Implementing Entity shall:

- (a) implement the Program Action Plan agreed with the Association, in a manner and substance satisfactory to the Association; and
- (b) refrain from amending, revising, waiving, voiding, suspending or abrogating, any provision of the Program Action Plan, whether in whole or in part, without the prior written concurrence of the Association.

In the event of any inconsistency between the provision of the Program Action Plan and those of this Agreement and/or the Financing Agreement, the provision of the latter agreement shall govern.

D. Operation Implementation Arrangements

1. The Operation Implementing Entity shall vest the overall responsibility for implementation of the Operation in LG&CDD. To this end it shall:

- (a) maintain throughout the period of Operation implementation, a steering committee (the "Steering Committee") headed by the Chairman P&D Board, which committee shall include secretaries of FD, P&DD, LG&CDD, key provincial agencies and stakeholders as agreed with the Association, in order to review and verify APA reports, address crosscutting implementation challenges, review progress reports and provide policy guidance and direction; and
- (b) ensure that annual PBG disbursements intended for MCs, are fully integrated into the Operation Implementing Entity's provincial budget, and released to cities within thirty (30) days of receipt of funds disbursed by the Association;

2. The Operation Implementing Entity, through LG&CDD, shall:

- (a) carry out the Operation with the assistance of LGB and PMDFC;
- (b) by not later than six (6) months after the Effective Date, and thereafter maintain throughout the period of Operation implementation, engage the services of an independent private firm, with qualification, experience and terms of reference satisfactory to the Association, for the carrying out an Annual Performance Assessment to determine each MCs compliance with MACs and PMs and their eligibility to benefit from the Program; and
- (c) maintain within the MCs throughout the period of Operation implementation qualified officials with qualifications and experience acceptable, and under terms of reference satisfactory to the Association in provincially-appointed MC positions.

E. Safeguard Requirements for the Project

1. In carrying out activities under the Project, the Operation Implementing Entity shall:

- (a) ensure that the Project is carried out in accordance with the Safeguards Instruments, in a manner and substance satisfactory to the Association; and
 - (b) refrain from amending, suspending, waiving, abrogating, and/or voiding any provision of the Safeguards Instruments, in whole or in part, without the prior written agreement of the Association.
2. The Operation Implementing Entity shall:
- (a) take all necessary actions to avoid or otherwise minimize to the extent possible, and to mitigate, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently; and
 - (b) whenever a new or revised ESMP or any additional or revised Safeguards Instrument is required for any proposed activity under the Project in accordance with the provisions of the ESMF, respectively:
 - (i) prior to the commencement of such activity, proceed to have such ESMP: (i) prepared in accordance with the provisions of the ESMF; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association; and
 - (ii) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESMP.
4. The Operation Implementing Entity shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Safeguards Instruments. Without limiting its other reporting obligations under this Agreement, the Operation Implementing Entity shall take all necessary measures to collect, compile and submit to the Association, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:
- (a) measures taken in furtherance of the Safeguards Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments, particularly those related to the relevant ESMP; and
 - (c) remedial measures taken or required to be taken immediately to address such conditions.
5. In the event of any inconsistency between the provisions of any of the Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

F. Anti-Corruption Guidelines for the Program

For purposes of Section 5.13 of the General Condition the Operation Implementing Entity undertakes to cooperate with the Association and discharge its responsibilities under the Anti-corruption Guidelines, pursuant to the Anti-corruption Protocol.

Section II. Excluded Activities

The Operation Implementing Entity shall ensure that the Program shall exclude any activities which:

- (a) in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- (b) involve the procurement of: (1) works, estimated to cost seventy five million Dollars (USD 75,000,000) equivalent or more per contract; (2) goods, estimated to cost fifty million Dollars (USD 50,000,000) equivalent or more per contract; (3) non-consulting services, estimated to cost fifty million Dollars (USD 50,000,000) equivalent or more per contract; or (4) consultants' services, estimated to cost twenty million Dollars (USD 20,000,000) equivalent or more per contract.

Section III. Operation Monitoring, Reporting and Evaluation

The Operation Implementing Entity shall furnish to the Association each Program Report and Project Report not later than thirty (30) days after the end of each calendar semester, covering the calendar semester.