

CREDIT NUMBER 5630-PF

Project Agreement

(Punjab Skills Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF PUNJAB

Dated JUNE 4th, 2015

PROJECT AGREEMENT

AGREEMENT dated JUNE 4th, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the 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 the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

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

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity's Representative is the Secretary to the Government of Punjab, Department of Industries, Commerce and Investment.

4.02. The Association's Address is:

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

Facsimile:

+1-202-477-6391

4.03. The Project Implementing Entity's Address is:

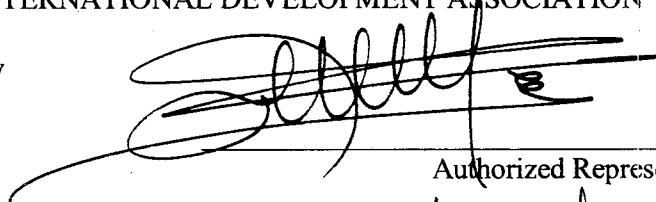
Department of Industries Commerce and Investment
Lahore, Punjab
Islamic Republic of Pakistan
Facsimile:

+92 (42) 99210136

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



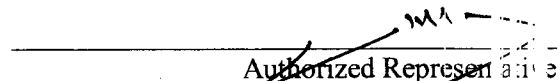
Authorized Representative

Name: Muhammad Saleem Seth

Title: Secretary, EAI

PROVINCE OF PUNJAB

By



Authorized Representative

Name: Nasir Rafique

Title: Additional Secretary

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall vest the overall responsibility for the implementation of Project activities in the DoICI. To this end, the Project Implementing Entity shall:
 - (a) maintain, at all times during Project implementation, within DoICI's regular structure, a Project implementing unit with functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of said unit to coordinate and monitor the implementation of the Project, including monitoring the activities under each DLI, in accordance with the provisions of the Project Operational Manual;
 - (b) ensure that, at all times during Project implementation, the PIU shall be headed by a Project director, assisted by an additional Project director and three deputy directors, adequately staffed with professional and administrative staff (including procurement, financial management, monitoring and evaluation and Project related technical staff), with the necessary experience and qualifications acceptable to the Association, and operating under terms of reference agreed to between the Recipient and the Association;
 - (c) maintain, at all times during Project implementation, a project steering committee headed by the Chair Person of the Punjab Planning and Development Board, which shall include the participation of secretaries and deputy secretaries from stakeholder departments, vested with the responsibility of, *inter alia*, providing oversight, policy advice and strategic direction to the Project;
 - (d) cause the PSA to be established in form and with a mandate acceptable to the Association for the purposes of its role in the Project; and
 - (e) take necessary and appropriate actions to ensure that adequate budgetary allocations and timely fund releases are made to P-TEVTA, PSDF and the PSA, as per the budgetary framework agreed to between the Project Implementing Entity and the Association.

B. Project Documents

1. The Project Implementing Entity shall maintain a Project Operations Manual, in form and substance and by a date satisfactory to the Association, setting forth the institutional arrangements for implementation of the Project including: (i) DLI(s)/DLR(s) Verification Protocols; (ii) guidelines for the implementation of DLIs 3, 4 and 5; (iii) simplified procurement reporting arrangements, record keeping protocols and complaints redressal

mechanisms consistent with the Consultants' Guidelines and Procurement Guidelines; and (iv) financial management procedures and protocols for the carrying out of internal audits, the preparation financial statements, and withdrawal, accounting of Credit funds and settlement of payments.

2. The Project Implementing Entity shall:

- (a) implement the Project in accordance with the Project Operations Manual provided; however, that in the event of conflict between the provisions of said manual, on the one hand, and those of this Agreement or the Financing Agreement, on the other hand, the provisions of the latter shall govern; and
- (b) refrain from amending, suspending, waiving, and/or voiding any provision of the Project Operations Manual, whether in whole or in part, without the prior written agreement of the Association.

C. Anti-Corruption

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

D. Verifications

1. The Project Implementing Entity shall:

- (a) undertake a verification process, in accordance with the terms of reference agreed with the Association including the Verification Protocols set out in the Project Operations Manual, to certify the fulfillment of the DLR(s) set out in Schedule 3 to this Agreement; and
- (b) furnish to the Association corresponding verification reports, in form and substance agreed with the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of six (6) months, 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. The Project Implementing Entity shall: (a) prepare the Project execution/completion report referred to in Section 4.08 (c) of the General Conditions; and (b) furnish it to the Recipient and the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the respective semester, in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

1. All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.
2. The Project Implementing Entity shall:
 - (a) maintain throughout the period of Project implementation, a system for the handling of procurement complaints, in a manner 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. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the Association's prescribed complaint redress mechanism shall apply; and
 - (b) maintain throughout the period of implementation of the Project, a procurement documentation and record keeping system, including a publicly accessible web site, 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.