
CREDIT NUMBER 7043-PK

Operation Agreement

(Punjab Affordable Housing Program)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF PUNJAB

CREDIT NUMBER 7043-PK

OPERATION AGREEMENT

AGREEMENT between the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the PROVINCE OF PUNJAB (“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, concerning Credit No. 7043-PK. The Association and the 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 Implementing Entity declares its commitment to the objectives of the Operation. To this end, the Implementing Entity 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 10.05 (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 Implementing Entity’s Representative is its Chairman of the Planning and Development Board.

- 4.02. For purposes of Section 11.01 of the General Conditions: (a) the Association's address is:

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

- (b) the Association's Electronic Address is:

Facsimile: 1-202-477-6391 E-mail: CMUPakistan@worldbank.org

- 4.03. For purposes of Section 11.01 of the General Conditions: (a) the Implementing Entity's address is:

Chairman
Planning and Development Board
Government of Punjab
Lahore
Pakistan; and

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

Facsimile: +92-42-99210308 Email: chairman@pndpunjab.gov.pk;
chairmanpnd@gmail.com

AGREED as of the later of the two dates written below.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By Najy Benhassine

Authorized Representative
Name: Najy Benhassine
Title: Country Director
Date: 01-Oct-2022

PROVINCE OF PUNJAB

By Shakeel Ahmed

Authorized Representative
Name: Shakeel Ahmed
Title: secretary HUD & PHED
Date: 05-Oct-2022

SCHEDULE

Operation Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

1. Without limitation on the provisions of Article V of the General Conditions, the 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 Financing 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. Institutional Arrangements for the Operation

1. The Implementing Entity shall maintain, throughout the period of implementation of the Operation, a Program Steering Committee, comprised of officials of various government entities, in adequate numbers and under terms of reference satisfactory to the Association, vested with the responsibility of overseeing the implementation of the Operation in their respective agencies to: (a) provide policy guidance and direction for the Operation; (b) address any cross-cutting implementation challenges; (c) review progress reports; and (c) verify APA reports.
2. The Implementing Entity shall vest the overall responsibility for the implementation of the Operation in its UU, HUDD and PHATA and shall maintain, throughout the period of implementation of the Operation, the UU, HUDD and PHATA with the composition, resources and terms of reference satisfactory to the Association and adequate for successful implementation of the Operation.
3. The Implementing Entity shall ensure that UU shall:
 - (a) house the requisite technical specialists and systems for overall Operation management, coordination, and reporting, monitoring, and evaluation;
 - (b) provide technical and capacity building support to PHATA to achieve sub-program results;

- (c) implement institution-strengthening interventions including procurement of consultancies for development and operationalizing requisite systems for transparency and accountability;
 - (d) lead implementation of the Project and provide support to HUDD and PHATA in developing housing policy and strategy, undertake regulatory reforms, and develop systems and procedures;
 - (e) communicate consolidated information to HUDD, FD, and the Association on the progress of activities per monitoring and evaluation requirements via reporting dashboards set up at these agencies and assist with day-to-day coordination of the Operation; and
 - (f) assist HUDD in administering the APA process by recruiting and managing a private Independent Verification Agent.
4. The Implementing Entity shall ensure that PHATA shall:
- (a) lead implementation of the capital investment sub-programs;
 - (b) be responsible for achievement of some of the DLI results (identified in Annex to Schedule 2 to the Financing Agreement) by ensuring adherence to work plans of schemes under execution, quality assurance, and submission of progress and completion reports to HUDD and the UU;
 - (c) maintain cash books and financial statements for recording allocations and expenditures and will submit twice-yearly Budget Execution Reports to the Association;
 - (d) coordinate the collection of monitoring and evaluation data and individual reports on status of scheme implementation, provision of household connections to basic infrastructure and services for housing schemes, and alternative low-cost housing solutions; and
 - (e) promptly disseminate on its website annual reports prepared under the Program.
5. The Implementing Entity shall ensure that annual disbursements intended for PHATA in accordance with the provisions of Sections IV.B.1(b) and B.2 of Schedule 2 to the Financing Agreement, are fully integrated into the Implementing Entity's provincial budget, and released to PHATA.
6. The Implementing Entity shall:
- (a) select, notify and engage by the earlier of the date which is nine (9) months after the Effective Date and the first date on which the Implementing

Entity undertakes a verification, and thereafter maintain throughout the period of implementation of the Operation, the services of Independent Verification Agent(s) with qualification and experience and under terms of reference acceptable to the Association, in order to: (i) support the Operation's monitoring and evaluation; and (ii) document the achievement of DLIs/DLRs.

- (b) furnish to the Association corresponding verification report, in form and substance agreed with the Association.

- 7. The Implementing Entity shall ensure that within one (1) month after Effective Date PHATA and UU shall adopt the Operations Manual as shall have been approved by the Association and thereafter, implement the Operation in accordance with the Operation Manual.

C. Annual Work Plans and Budgets.

- 1. The Implementing Entity shall:
 - (a) prepare and furnish to the Association, by not later than September 30 of each year, an annual work plan and budget covering the activities proposed for the subsequent year of Project implementation; which plan, and budget shall be of such scope and detail as set forth in the Operations Manual;
 - (b) Notwithstanding sub-paragraph (a) above, annual work plan for the first year of Project implementation, shall be furnished to the Association by not later than one (1) month after the Effective Date; and
 - (c) thereafter, upon approval of each such annual work plan, ensure that the Project is carried out in accordance with the said plan and budget, as agreed with the Association.

D. Additional Implementation Arrangements

- 1. Without limitation upon the generality of Part B of this Section I, the Implementing Entity, through UU, PHATA and HUDD, shall carry out the Program Action Plan in accordance with the schedule set out in the said Program Action Plan in a manner satisfactory to the Association.
- 2. The Implementing Entity, through UU, PHATA and HUDD, 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.
- 3. 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.
- 4. The Implementing Entity shall ensure that collection, storage, usage or processing of personal data, including collection, storage, usage or processing of personal data by UU, PHATA, and HUDD, are carried out with due regard to appropriate data protection and privacy standards and practices.

E. Environmental and Social Standards for the Project

- 1. The Implementing Entity shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
- 2. Without limitation upon paragraph 1 above, the Implementing Entity shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Implementing Entity shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
- 3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- 4. The Implementing Entity shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the

Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

- (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Implementing Entity shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
 6. The Implementing Entity shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.
 7. The Implementing Entity shall maintain, throughout the implementation of the Project, a Project grievance redress mechanism, with staffing and operating procedures acceptable to the Association, for monitoring and addressing the concerns of people affected by the Project and building public and stakeholder support for the Project.

Section II. Excluded Activities for the Program

1. The 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;

- (b) involve the procurement of: (1) works, estimated to cost \$115 million equivalent or more per contract; (2) goods, estimated to cost \$75 million equivalent or more per contract; (3) non-consulting services, estimated to cost \$75 million equivalent or more per contract; or (4) consultants' services, estimated to cost \$30 million equivalent or more per contract;
- (c) involve land acquisition activities, including the procurement of land; and/or
- (d) involve the Direct Contracting which is equal to or more than fifteen (15) percent of Program's annual procurement value. The fifteen (15) percent limit shall be determined cumulatively, applied to all contracts entered into in that year.

Section III. Operation Monitoring, Reporting and Evaluation

A. Operation Monitoring, Reporting and Evaluation for the Operation

1. The Implementing Entity shall monitor and evaluate the progress of the Program and the Project and prepare Program Reports and Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions. Each Project Report and Program Report shall cover the period of six (6) months, and shall be furnished to the Recipient not later than forty-five (45) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report and Program Report.
2. The Implementing Entity shall provide to the Recipient not later than six (6) months from the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.