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**LOAN NUMBER 7380-PAK**

# **Project Agreement**

**(Punjab Municipal Services Improvement Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

**and**

**PROVINCE OF PUNJAB**

**Dated June 5, 2006**

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**LOAN NUMBER 7380-PAK**

**PROJECT AGREEMENT**

AGREEMENT dated June 5, 2006, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and PROVINCE OF PUNJAB acting by its Governor (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement of same date between the Islamic Republic of Pakistan (“Borrower”) and the Bank (“Loan Agreement”). The Bank 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 Loan Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Loan 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:

- (a) carry out the Project in accordance with the provisions of Article V of the General Conditions; and
- (b) 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 Bank 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 - REPRESENTATIVE; ADDRESSES**

3.01. The Project Implementing Entity’s Representative is Chairman, Planning and Development Board.

3.02. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Planning and Development Board  
Government of Punjab  
Lahore  
Pakistan

Cable:  
  
DEVELOPMENT  
Lahore, Pakistan

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

INTERNATIONAL BANK FOR RECONSTRUCITON  
AND DEVELOPMENT

By /s/ Abid Hasan

Acting Country Director  
Pakistan

PROVINCE OF PUNJAB

By /s/ Sohail Ahmad

Authorized Representative

## SCHEDULE

### Execution of the Project

#### **Section I. Institutional and Other Arrangements**

##### **A. Overall Project Implementation and Coordination**

1. Except as the Bank shall otherwise agree, the Project Implementing Entity shall give the responsibility: (a) generally for overall management and coordination of the Project, and specifically for the carrying out of Part 2(c) of the Project, to P&DD; (b) generally for day-to-day operations under the Project as a whole, and specifically for the carrying out of Parts 1 and 2(b) of the Project, to PMDFC; and (c) for the carrying out of Part 2 (a) of the Project, to LG&RDD.

2. Except as the Bank shall otherwise agree, the Project Implementing Entity shall ensure:

(a) that the Project will be carried out in accordance with the Operations Manual, the Financial Manual and the Environment and Social Framework; and

(b) that the Operations Manual, the Financial Manual and the Environment and Social Framework will not be amended, varied or waived, if, in the opinion of the Bank, such amendment, variation or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

##### **B. Capacity Grants and Development Grants**

1. The Project Implementing Entity shall ensure that PMDFC will, prior to approving any scheme proposed to be financed by a Capacity Grant or a Development Grant, satisfy itself that such scheme has met the selection criteria set out for such scheme in the Operations Manual and the Environment and Social Framework, including the requirement that the TMA sponsoring such scheme has:

(a) prepared an application satisfactory to PMDFC, setting out, among other things: (i) in the case of Capacity Grants the description, benefits and purposes of the proposed scheme; and (ii) in the case of Development Grants, a description of the proposed scheme, a service improvement plan specifying the purpose and benefit of the scheme, performance indicators, baseline data and targets;

(b) undertaken to carry out such scheme in accordance with the policies, principles and procedures set forth in Environment and Social Framework, including the preparation of an environment management plan;

(c) in the case of schemes supported by Capacity Grants, assessed its existing capacity in planning, budgeting and financial management;

(d) in the case of schemes supported by Development Grants, undertaken to contribute 15% of the total investment cost which may include the cost of purchased land and any consultants' services that have been funded by the TMA;

(e) demonstrated that it will be able to finance the operations and maintenance costs associated with the scheme; and

(f) undertaken to enter into a memorandum of understanding with PMDFC, substantially conforming to the standard form agreement appended to the Operations Manual, so as to assume full responsibility for the preparation, design and implementation of such scheme while it is being carried out, and for its operation and maintenance upon its completion.

## **Section II. Project Monitoring, Reporting, 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 5.08(b) of the General Conditions and on the basis of indicators agreed with the Bank. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

2. The Project Implementing Entity shall provide to the Borrower not later than six (6) months after the Closing Date, for incorporation in the report referred to in Section 5.08(c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

### **B. Financial Management, Financial Reports; 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 Bank, 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. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan 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 Schedule.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan 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 Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding*
(b) Shopping

\* National Competitive Bidding procedures shall be subject to the following additional procedures:

- (aa) invitations to pre-qualify or bid shall be advertised in at least one national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids;
- (bb) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

- (cc) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
- (dd) bidding shall not be restricted to pre-registered firms;
- (ee) qualification criteria shall be stated in the bidding documents;
- (ff) single bids shall be considered for purposes of evaluation;
- (gg) bids shall be opened in public, immediately after the deadline for submission of bids;
- (hh) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Bank;
- (ii) before rejecting bids and soliciting new bids the Bank's prior concurrence shall be obtained;
- (jj) bids shall be solicited and contracts shall be awarded on the basis of unit prices, and not on the basis of percentage rate quotations above or below an official estimate;
- (kk) contracts shall not be awarded on the basis of nationally negotiated rates;
- (ll) contracts shall be awarded to the lowest evaluated and qualified bidders;
- (mm) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.

**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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on the Consultant's Qualifications
(e) Single-Source Selection

**D. Review by the Bank of Procurement Decisions**

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) all contracts for goods procured on the basis of International Competitive Bidding; (b) the first contract for goods procured on the basis of National Competitive Bidding or Shopping, regardless of value; (c) the first three contracts for works procured by TMAs, and the first contract for works procured by P&DD, all on the basis of National Competitive Bidding, regardless of value; (d) the first contract each procured by PMDFC and P&DD for consultants' services provided by a firm, regardless of value; (e) each contract procured by PMDFC and P&DD for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; (f) the first contract for consultants' services provided by an individual, regardless of value; and (g) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$100,000 or more. All other contracts shall be subject to Post Review by the Bank.