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**LOAN NUMBER 7277-PAK**

## **Project Agreement**

**(Taunsa Barrage Emergency Rehabilitation and Modernization Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**PROVINCE OF PUNJAB**

**Dated March 24, 2005**



**LOAN NUMBER 7277-PAK**

**PROJECT AGREEMENT**

AGREEMENT dated March 24, 2005, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and PROVINCE OF PUNJAB acting by its Governor (Punjab).

WHEREAS (A) by the Loan Agreement of even date herewith between the Islamic Republic of Pakistan (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of thirteen billion one hundred seven million five hundred thousand Japanese Yen (¥13,107,500,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Punjab agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS Punjab, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**Definitions**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

**ARTICLE II**

**Execution of the Project**

Section 2.01. (a) Punjab declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project through IPD with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and irrigation practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and Punjab shall otherwise agree, Punjab shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) Punjab shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 2.03. (a) Punjab shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Punjab shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Bank and Punjab, a plan for the future operation of Taunsa Barrage and related structures as rehabilitated and modernized under the Project; and
- (ii) afford the Bank a reasonable opportunity to exchange views with Punjab on said plan.

Section 2.04. (a) Punjab shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Loan.

(b) Punjab shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by Punjab of its obligations under this Agreement.

### **ARTICLE III**

#### **Financial Covenants**

Section 3.01. (a) Punjab shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

- (b) Punjab shall:
- (i) have its financial statements (statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
  - (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
  - (iii) furnish to the Bank such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

Section 3.02. (a) Without limitation Punjab's reporting obligations set out in paragraph 5 of Schedule 2 to this Agreement, Punjab shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

**ARTICLE IV**

**Effective Date; Termination;  
Cancellation and Suspension**

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of Punjab thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Punjab thereof.

Section 4.03. All this provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

**ARTICLE V**

**Miscellaneous Provisions**

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, NW  
Washington, DC 20433  
United States of America

|                               |                                |                |
|-------------------------------|--------------------------------|----------------|
| Cable address:                | Telex:                         | Facsimile:     |
| INTBAFRAD<br>Washington, D.C. | 248423 (MCI) or<br>64145 (MCI) | (202) 477-6391 |

For Punjab:

Planning and Development Board  
Government of Punjab  
Lahore, Pakistan

Cable address:

Facsimile:

DEVELOPMENT

(92-42) 910003

Lahore  
Pakistan

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Punjab, may be taken or executed by the Chairman, Planning and Development Board or such other person or persons as he/she shall designate in writing, and he/she shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Islamabad, Pakistan, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By

/s/ John W. Wall  
Country Director  
Pakistan

PROVINCE OF PUNJAB

By

/s/ Arif Nadeem  
Authorized Representative

## **SCHEDULE 1**

### **Procurement and Consultants' Services**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

#### B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$2,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

(a) invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids;



(b) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(c) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;

(d) bidding shall not be restricted to pre-registered firms;

(e) qualification criteria shall be stated in the bidding documents;

(f) bids shall be opened in public, immediately after the deadline for submission of bids;

(g) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Bank;

(h) before rejecting all bids and soliciting new bids, the Bank's prior concurrence shall be obtained;

(i) bids shall be solicited and contracts shall be awarded on the basis of unit prices, and not on the basis of a schedule of rates;

(j) contracts shall not be awarded on the basis of nationally negotiated rates;

(k) contracts shall be awarded to the lowest evaluated and qualified bidders; and

(l) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.

2. Shopping. Goods and works estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.
3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.
4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior review by the Bank.

Section IV. Review by the Bank of Procurement Decisions

- A. 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) each contract for goods, works and services (other than consultants' services) procured on the basis of International Competitive Bidding, or National Competitive Bidding; (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (c) the first contract for the employment of individual consultants, irrespective of value, and thereafter each such contract estimated to cost the equivalent of \$50,000 or more. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of \$20,000 or more shall be subject to prior approval of the Bank.
- B. All other contracts shall be subject to Post Review by the Bank.

## **SCHEDULE 2**

### **Implementation Program**

#### Project Management

1. Punjab shall:

(a) throughout Project implementation, maintain a Project Steering Committee (PSC) and a Panel of Experts (POE), each with terms of reference, composition, meeting schedules and resources satisfactory to the Bank;

(b) throughout Project implementation, maintain a Project Management Office (PMO) in IPD, under the direction of qualified and experienced managers, staffed with competent procurement, financial management, environment and technical personnel in sufficient numbers, and provided with adequate resources, all in a manner satisfactory to the Bank; said PMO to be responsible for overall Project coordination, management and monitoring, procurement and financial management, work program preparation, progress reporting, environmental monitoring and evaluation, and other Project-related activities; and

(c) not later than February 28 in each year beginning 2005, prepare and furnish to the Bank, for its review and concurrence, a detailed annual work plan, including a work program and proposed budget, for the carrying out of the Project in the next following fiscal year.

#### Environmental Protection

2. Punjab shall:

(a) implement the Environment Management Plan (EMP) in a manner satisfactory to the Bank and designed to ensure that the Project is carried out in accordance with sound environmental standards and practices;

(b) engage experienced and qualified agencies acceptable to the Bank, to monitor the implementation of EMP;

(c) make such modifications to EMP from time to time as shall have been agreed with the Bank; and

(d) obtain the prior concurrence of the Bank to any other proposed modification or waiver of EMP, or any provisions thereof.

Operation and Maintenance

3. Punjab shall:

(a) not later than December 31, 2007: (i) complete and implement an Operation, Maintenance & Surveillance (OMS) Manual for Taunsa Barrage, satisfactory to the Bank, including job descriptions of key personnel, O&M rules and procedures, a monitoring and inspection program and an emergency preparedness plan; and (ii) plan and organize the necessary O&M staff training based on the OMS Manual; and

(b) to that end, not later than June 30, 2007, cause the draft of the OMS Manual to be furnished to the Bank for its review following clearance by POE.

4. Punjab shall, not later than December 31, 2007, prepare and furnish to the Bank an O&M financing plan for Taunsa Barrage, satisfactory to the Bank, in accordance with the OMS Manual.

Monitoring and Reporting

5. Punjab shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the Environment Management Plan and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank: (i) not later than January 31 and July 31 in each year beginning 2005, semi-annual reports; and (ii) on or about June 30, 2006, a mid-term report, all integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the respective dates of said reports and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the respective periods following such dates; and

(c) review with the Bank, by December 31, 2006, or such later date as the Bank shall request, the mid-term report referred to in paragraph (b) (ii) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.