

**OFFICIAL
DOCUMENTS**

1307

CREDIT NUMBER 5081-PK

Financing Agreement

(Punjab Irrigated Agriculture Productivity Improvement Program Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *April 12*, 2012

CREDIT NUMBER 5081-PK

FINANCING AGREEMENT

AGREEMENT dated April 12, 2012, entered into between ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred sixty one million two hundred thousand Special Drawing Rights (SDR 161,200,000) (variously, "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Un-withdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Financing Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Recipient shall pay interest on the Withdrawn Financing Balance at the rate of one and one-fourth percent (1.25%) per annum.
- 2.06. The Payment Dates are June 15 and December 15 in each year.

- 2.07. The principal amount of the Financing shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity, with the assistance of Service Providers and Water Users' Associations in relation to Parts A and B of the Project, in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that any of the parties to a Subproject Agreement shall have failed to comply with the provisions of the respective Subproject Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs concurrently with respect to all of the parties to Subproject Agreements and is continuing for a period of ninety (90) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Economic Affairs Division of the Ministry of Economic Affairs and Statistics, each such person acting individually.

6.02. The Recipient's Address is:

Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamabad
Pakistan

Facsimile:

92-51-921-8976

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

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

ISLAMIC REPUBLIC OF PAKISTAN

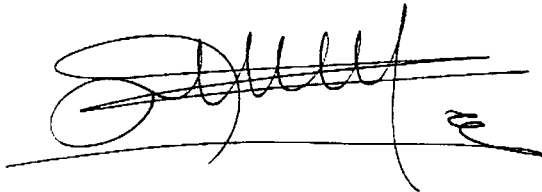
By



Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the productivity of water use in irrigated agriculture.

The Project consists of the following parts:

A. Installation of High-Efficiency Irrigation Systems and Strengthening of Precision Land Leveling Services

1. Installation of high-efficiency irrigation systems, such as drip, trickle, bubbler or sprinkler systems, controlled application of water and non-water inputs, and provision of related technical assistance to farmers for horticulture, vegetable, floriculture, and other high-value row crops.
2. Strengthening of precision land leveling services for agricultural purposes through the provision of laser-guided land leveling equipment to farmers.

B. Upgrading of Community Irrigation Systems

1. Carrying out of watercourse improvements in canal-irrigated areas;
2. Completion of improvements to partially improved watercourses; and
3. Carrying out of improvements to community irrigation systems in non-canal command areas,

all including construction and installation of canalets, carrying out of lining of watercourses, replacement and new installation of water turnout structures, and provision of technical assistance to Water Users' Associations in relation to layout and construction supervision in this regard.

C. Improvement of Agricultural Technology and Practices, and Monitoring and Evaluation of Project and Environmental and Social Management Plan

1. (a) provision of effective applied agricultural research, extension, and information services to farmers; (b) carrying out of participatory training for farmers in relation to various agro-technical fields, farm management, and irrigation agronomy; (c) carrying out of demonstration of and provision of technical assistance in relation to modern, improved agricultural technologies and methods and agronomic practices to farmers; (d) carrying out of training of Service Providers and trainers in

related areas; and (e) establishment of a farmer information services desk with internet, electronic media, and cell phone platforms.

2. Monitoring and evaluation of implementation and impact of Project and Environmental and Social Management Plan.

D. Project Management, Independent Project Supervision, Strategic Studies, and Technical Assistance to Project Implementing Entity

(a) Project implementation and management activities, including mobilization of farmers, carrying out of surveys, engineering, and design, provision of technical assistance to farmers and Service Providers, and quality control; (b) independent Project supervision and verification of Outputs and Subproject Performance Indicators; and (c) carrying out of strategic studies in areas identified during Project implementation, and provision of technical assistance to the Project Implementing Entity in areas such as crop diversification, shifting to horticulture, vegetable, and floriculture crops, and operation and maintenance of irrigation systems installed under the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under financial terms and conditions identical to those provided for under this Agreement and in accordance with the Recipient's on-lending and budgetary policies and procedures.
2. Notwithstanding paragraph 1 above, in the event of a conflict between the on-lending and budgetary policies and procedures of the Recipient and the provisions of this Agreement, including such additional instructions as the World Bank shall have specified by notice to the Recipient pursuant to Section IV.A of this Schedule, the provisions of this Agreement, including said additional instructions, shall govern.
3. The Recipient shall exercise its rights under the on-lending arrangements referred to in paragraph 1 above in such a manner as to protect its interests and those of the Association and to accomplish the purposes of the Financing.

B. Anti-Corruption

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

C. Subprojects

1. The Recipient shall, jointly with the Project Implementing Entity and the Association, not later than six (6) months after the Effective Date, again not later than twelve (12) months after the Effective Date, and thereafter on an annual basis throughout Project implementation, review the Outputs and related Unit Costs, and thereafter adjust them as necessary, both in a manner satisfactory to the Association.
2. In the event that the adjustments referred to in Section I.E.4 (b) of the Schedule to the Project Agreement are not possible, or are insufficient to compensate for the amounts paid in excess of the actual average cost of the respective Outputs, the Recipient undertakes to refund, or cause the Project Implementing Entity to refund, to the Association any amounts withdrawn for Subprojects in excess of said average cost.

D. Safeguards

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Environmental and Social Management Plan, and, except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall cause the Project Implementing Entity to 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 the indicators set forth in Section II.A.1 (b) of the Schedule to the Project Agreement. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Semi-Annual Reviews

The Recipient shall review jointly with the Association and the Project Implementing Entity, no later than one (1) month after the submission of every second Project Report to the Association, such report and the one preceding, and thereafter cause the Project Implementing Entity to take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such reports and the Association's views on the matter.

C. Midterm Review

The Recipient shall:

- (a) carry out jointly with the Association and the Project Implementing Entity, not later than thirty-nine (39) months, or such other period as may be agreed with the Association, after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the performance indicators set forth in Section II.A.1 (b) of the Schedule to the Project Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of safeguards measures; (v) implementation arrangements; and (vi) the need

to make any adjustments to the Project and reallocate funds to improve performance;

- (b) cause the Project Implementing Entity to prepare and furnish to the Recipient and the Association, at least one (1) month before such review, a report, in scope and detail satisfactory to the Association and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.A.1 (a) of the Schedule to the Project Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and
- (c) review jointly with the Association and the Project Implementing Entity the report referred to in paragraph (b) of this Part D and thereafter cause the Project Implementing Entity to take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

D. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall cause the Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such 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 Financing 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 Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing 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 Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV, and V of the 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 and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following 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: (a) National Competitive Bidding, subject to the additional provisions set forth in Annex 1 to this Schedule; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures which have been found acceptable to the Association.

C. Particular Methods of Procurement of Consultants' Services

3. **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.
4. **Other Methods of Procurement of Consultants' Services.** The following specifies 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: (a) Quality-Based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection;

(d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

5. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Subprojects (Parts A and B of the Project)	128,950,000	100% of the applicable Unit Costs of the Outputs included in a Subproject paid by the Project Implementing Entity to the respective Service Provider or Water Users' Association as per the terms of the respective Subproject Agreement

(2) Goods, consultants' services (including for audits), Training, and Operating Costs (Parts C and D of the Project)	14,190,000	100
(3) Unallocated	18,060,000	
TOTAL AMOUNT	161,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$20 million equivalent may be made for payments made prior to this date but on or after August 1, 2011 for Eligible Expenditures.
2. The Closing Date is December 31, 2018.

C. Additional Withdrawal Undertakings

The Recipient shall ensure that any withdrawal application in relation to a Subproject shall only be made upon satisfactory completion of the Subproject, including delivery of the respective Output/s, agreed in the respective Subproject Agreement and accounted for in such withdrawal application, as duly certified by the consultant referred to in Section I.A.11 of the Schedule to the Project Agreement, both in a manner satisfactory to the Association.

ANNEX 1 TO SCHEDULE 2

National Competitive Bidding: Modifications to Procedures

The procedures applicable to the procurement of goods and works under contracts awarded on the basis of National Competitive Bidding shall be those set out in Rules 5 and from 20 till 36 (a) of the Punjab Public Procurement Rules (2010) (No. MD (PPRA)2-1/2010), with the modifications set out below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. In the event of a conflict between the Recipient's procedures and the modifications set out below, the latter shall govern.

- (i) Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.
- (ii) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (iii) Foreign bidders shall not be precluded from bidding, and no preference of any kind shall be given to national bidders in the bidding process.
- (iv) Bidding shall not be restricted to pre-registered firms.
- (v) Qualification criteria shall be stated in the bidding documents.
- (vi) Bids shall be opened in public, immediately after the deadline for the submission of bids.
- (vii) Single bids shall also be evaluated.
- (viii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior written agreement of the Association.
- (ix) Before rejecting all bids and soliciting new bids, the Association's prior written agreement shall be obtained.
- (x) Contracts shall not be awarded on the basis of nationally negotiated rates.
- (xi) Contracts shall be awarded to the lowest evaluated and qualified bidder.
- (xii) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidder.

- (xiii) Bids for contracts for works shall be solicited, and such contracts awarded, on the basis of unit price, and not a composite schedule of rates.
- (xiv) Draft contracts shall be reviewed by the Association in accordance with Prior Review procedures.
- (xv) A firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association.
- (xvi) Each contract financed from the proceeds of the Financing shall provide that the suppliers, contractors, and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor, or subcontractor of such provision may amount to an obstructive practice.
- (xvii) Recipient-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.
- (xviii) The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by the Association.

ANNEX 2 TO SCHEDULE 2

Outputs

The Outputs eligible for financing for each type of Subproject are as follows:

Subprojects	Outputs
Irrigation Systems Subprojects	<ol style="list-style-type: none">1. High-efficiency irrigation system installed in an area of up to three (3) acres2. High-efficiency irrigation system installed in an area of up to five (5) acres3. High-efficiency irrigation system installed in an area of up to ten (10) acres4. High-efficiency irrigation system installed in an area of up to fifteen (15) acres
Land Leveling Subprojects	Laser-guided land leveling equipment provided to Service Provider
Watercourse Improvement Subprojects	<ol style="list-style-type: none">1. New brick-lining of watercourse carried out2. New prefabricated concrete lining of watercourse carried out3. Brick-lining of partially improved watercourse carried out4. Prefabricated concrete lining of partially improved watercourse carried out5. Lining of watercourse in rain-fed area carried out: (a) pipes installed; (b) concrete channels built; and (c) brick lining carried out

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Financing repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing June 15, 2017 to and including December 15, 2026	1.65
commencing June 15, 2027 to and including December 15, 2036	3.35

* The percentages represent the percentage of the principal amount of the Financing to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" dated October 15, 2006 and revised in January 2011.
2. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
3. "Department of Agriculture" means the Project Implementing Entity's department responsible for agriculture or a successor thereto.
4. "Devolution Plan" means the Recipient's Local Government Plan dated August 14, 2001 providing for the devolution of certain powers from the federal government to the local governments, as the same may be modified from time to time, and such term includes any annexes or schedules to such plan.
5. "Directorate General, Agriculture (Water Management)" means the directorate of the Department of Agriculture responsible for agriculture, and particularly water management, or a successor thereto.
6. "District Allotment Committee" means the Project Implementing Entity's committee responsible for the district-level allocation of land leveling equipment to Service Providers (as hereinafter defined) for purposes of the carrying out of Land Leveling Subprojects (as hereinafter defined), or a successor thereto.
7. "District Implementation Committees" means, collectively, the Project Implementing Entity's committees, under the Directorate General, Agriculture (Water Management), established and operating pursuant to the Project Implementing Entity's Notification Number SOA(P) 3-12/2011 dated January 2, 2012 and whose responsibilities are set out in Section I.A.8 of the Schedule to the Project Agreement, or successors thereto.
8. "District Offices (On-Farm Water Management)" means, collectively, the Project Implementing Entity's offices, under the district governments, established and operating pursuant to the Devolution Plan and whose responsibilities are set out in Section I.A.7 of the Schedule to the Project Agreement, or successors thereto.
9. "District Rate Committees" means, collectively, the Project Implementing Entity's committees, under the District Implementation Committees, established and operating pursuant to the Project Implementing Entity's Notification Number SOA(P) 3-12/2011 dated January 2, 2012 and whose responsibilities are

set out in Section I.A.9 of the Schedule to the Project Agreement, or successors thereto.

10. “Environmental and Social Management Plan” means the Project Implementing Entity’s plan, dated August 30, 2011 and agreed with the Association, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.
11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
12. “Irrigation Systems Subproject” means a specific activity under Part A.1 of the Project financed out of the proceeds of the Financing in accordance with the provisions of Section I.E of the Schedule to the Project Agreement and carried out by a Service Provider; and “Irrigation Systems Subprojects” means more than one (1) such activity.
13. “Irrigation Systems Subproject Agreement” means an agreement, referred to in Section I.E.2 of the Schedule to the Project Agreement, among the Project Implementing Entity, represented by the Directorate General, Agriculture (Water Management), a Service Provider, and a farmer, setting forth the terms and conditions governing the implementation of an Irrigation Systems Subproject, including the related cost-sharing arrangements between the Project Implementing Entity and the farmer, and such term includes any annexes or schedules to such agreement.
14. “Land Leveling Subproject” means a specific activity under Part A.2 of the Project financed out of the proceeds of the Financing in accordance with the provisions of Section I.E of the Schedule to the Project Agreement and carried out by a Service Provider (as hereinafter defined); and “Land Leveling Subprojects” means more than one (1) such activity.
15. “Land Leveling Subproject Agreement” means an agreement, referred to in Section I.E.2 of the Schedule to the Project Agreement, between the Project Implementing Entity, represented by the Directorate General, Agriculture (Water Management), and a Service Provider, setting forth the terms and conditions governing the implementation of a Land Leveling Subproject, including the related cost-sharing arrangements between the Project Implementing Entity and the Service Provider, and such term includes any annexes or schedules to such agreement.

16. "Operating Costs" means the incremental operating costs under the Project incurred by the Recipient and the Project Implementing Entity for purposes of Project management, implementation, and monitoring and evaluation, on the basis of the annual work plans and budgets referred to in Section I.D of the Schedule to the Project Agreement, on account of office supplies and consumables, utilities, bank charges, Taxes payable on a discrete basis (such as those payable through stamped paper), communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, office space rental, building and equipment maintenance, domestic and international travel, lodging, and subsistence allowances, and salaries and salary supplements of contractual and temporary staff (including those incremental to the Project Implementing Entity and working exclusively on the Project), but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of members of the Recipient's or the Project Implementing Entity's civil service.
17. "Output" means any of the construction- or operation-phase outputs of a Subproject (as hereinafter defined), as set forth in Annex 2 to Schedule 2 to this Agreement for each type of Subproject, eligible for financing out of the proceeds of the Financing on the basis of its Unit Cost (as hereinafter defined).
18. "Pre-Qualification Committees" means, collectively, the Project Implementing Entity's committees, under the Project Steering Committee, established and operating pursuant to the Project Implementing Entity's Notification Number SOA(P)3-2011 dated August 11, 2011 and whose responsibilities are set out in Section I.A.10 of the Schedule to the Project Agreement, or successors thereto.
19. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works, and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
20. "Procurement Plan" means the Recipient's procurement plan for the Project, dated February 10, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
21. "Project Financial Management Manual" means the Project Implementing Entity's manual, dated January 26, 2012, referred to in Section I.C of the Schedule to the Project Agreement and agreed with the Association, setting out financial management and disbursement arrangements and procedures for purposes of Project implementation, including, in relation to Subprojects, specific requirements and operating guidelines, and, in relation to each type of Subproject, the Outputs and the Unit Costs (as hereinafter defined) of such Outputs, as the same may be modified from time to time with the prior written

agreement of the Association, and such term includes any annexes or schedules to such manual.

22. "Project Implementation Committee" means the Project Implementing Entity's committee, under the Directorate General, Agriculture (Water Management), established and operating pursuant to Project Implementing Entity's Notification Number SOA(P) 3-12/2011 dated January 2, 2012 and whose responsibilities are set out in Section I.A.5 of the Schedule to the Project Agreement, or a successor thereto.
23. "Project Implementing Entity" means the Province of Punjab (as hereinafter defined).
24. "Project Implementing Entity's Legislation" means the Recipient's Constitution of 1973.
25. "Project Policy Committee" means the Project Implementing Entity's committee, established and operating pursuant to its Notification Number 1453-61/DGA/OFWM/Dev.DS/1-12 dated February 6, 2012 and referred to in Section I.A.2 of the Schedule to the Project Agreement or a successor thereto.
26. "Project Steering Committee" means the Project Implementing Entity's committee, established and operating pursuant to its Notification Number 4233-40 DGA/OFWM/Dev dated June 22, 2011 and referred to in Section I.A.3 of the Schedule to the Project Agreement or a successor thereto.
27. "Province of Punjab" means the Recipient's administrative subdivision of such name established pursuant to the Project Implementing Entity's Legislation or a successor thereto.
28. "Regional Project Coordination Units" means, collectively, the Project Implementing Entity's units, under the Directorate General, Agriculture (Water Management), established and operating pursuant to the Project Implementing Entity's letter dated January 31, 2009 and whose responsibilities are set out in Section I.A.6 of the Schedule to the Project Agreement or successors thereto.
29. "Service Provider" means a service and supply company participating in the implementation of Subprojects in accordance with the criteria and requirements of Section I.E of the Schedule to the Project Agreement.
30. "Subproject Agreement" means an Irrigation Systems Subproject Agreement, a Land Leveling Subproject Agreement, or a Watercourse Improvement Subproject Agreement (as hereinafter defined); and "Subproject Agreements" means more than one (1) of said Subproject Agreements.

31. "Subproject" means an Irrigation Systems Subproject, a Land Leveling Subproject, or a Watercourse Improvement Subproject (as hereinafter defined); and "Subprojects" means more than one (1) of said Subprojects.
32. "Subproject Performance Indicators" means the indicators and targets set forth in a Subproject Agreement to be fulfilled by the respective Service Provider or Water Users' Association as conditions of sustainability of the respective Subproject for the final payment of the Unit Costs of Outputs.
33. "Training" means the cost of training financed under the Project, on the basis of the annual work plans and budgets referred to in Section I.D of the Schedule to the Project Agreement, attributable to seminars, workshops, and study tours, along with the cost of domestic and international travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.
34. "Unit Cost" means the pre-agreed unit cost of all goods, works, and consultants' services required for the delivery of each of the Outputs of a Subproject, as specified in the Project Financial Management Manual and the respective Subproject Agreement.
35. "Watercourse Improvement Subproject" means a specific activity under Part B of the Project financed out of the proceeds of the Financing in accordance with the provisions of Section I.E of the Schedule to the Project Agreement and carried out by a Service Provider; and "Watercourse Subprojects" means more than one (1) such activity.
36. "Watercourse Improvement Subproject Agreement" means an agreement, referred to in Section I.E.2 of the Schedule to the Project Agreement, between the Project Implementing Entity, represented by the Directorate General, Agriculture (Water Management), and a Water Users' Association (as hereinafter defined), setting forth the terms and conditions governing the implementation of a Watercourse Improvement Subproject, and such term includes any annexes or schedules to such agreement.
37. "Water Management Training Institute" means the Project Implementing Entity's institute charged with the provision of water management training, or a successor thereto.
38. "Water Users' Association" means an autonomous association of irrigators and other water users in a specific irrigation scheme, established pursuant to the Recipient's laws, owning accounts, empowered to raise and retain revenue, and having elected leadership, or a successor thereto; and "Water Users' Associations" means more than one (1) such association.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 2.05 (a) is modified to read as follows:

“(a) the payment is for the reasonable cost of goods, consultants’ services (including for audits), subprojects, training, or operating costs required for the Project, to be financed out of the proceeds of the Financing, and procured, all in accordance with the provisions of the Financing Agreement;”

2. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

(a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

3. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
4. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”

5. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

6. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with one to Section 3.02 (a).