

CONFORMED COPY

CREDIT NUMBER 1888 PAK

(Second Irrigation Systems Rehabilitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF PUNJAB

and

PROVINCE OF SIND

and

NORTH WEST FRONTIER PROVINCE

and

PROVINCE OF BALUCHISTAN

Dated June 9, 1988

CREDIT NUMBER 1888 PAK

PROJECT AGREEMENT

AGREEMENT, dated June 9, 1988, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and PROVINCE OF PUNJAB, PROVINCE OF SIND, NORTH WEST FRONTIER PROVINCE and PROVINCE OF BALUCHISTAN acting by their respective Governors (the Provinces).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Islamic Republic of Pakistan (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-eight million two hundred thousand Special Drawing Rights (SDR 58,200,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Provinces agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) the proceeds of the credit provided for under the Development Credit Agreement will be made available to the Provinces on terms and conditions mutually satisfactory to the

Borrower and the Association; and

WHEREAS the Provinces, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have 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 Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) The Provinces declare their commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project 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 Association and the Provinces shall otherwise agree, the Provinces shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to the Development Credit Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. The Provinces shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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 and the parts of the Project for which they are respectively responsible.

Section 2.04. (a) The Provinces shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of their obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) The Provinces shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by the Provinces of their obligations under this Agreement.

ARTICLE III

Financial and other Covenants

Section 3.01. (a) The Provinces shall maintain records and accounts adequate to reflect in accordance with sound accounting practices their operations and financial condition in respect of the Project.

(b) The Provinces shall:

- (i) have such records and accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 3.02. The Provinces shall:

(a) with respect to existing surface irrigation and subsurface saline drainage facilities, at all times maintain the FY88 levels of O & M funding in real terms; and

(b) with respect to new surface irrigation and subsurface saline drainage facilities becoming operational during the implementation of the Project, provide and thereafter maintain O & M funding at appropriate levels.

Section 3.03. The Provinces shall:

(a) assist the Borrower in carrying out, by March 31, 1989, a study on improvement of water and drainage charges assessment and collection procedures;

(b) assist the Borrower in reviewing the findings of such study and in preparing an implementation plan therefor, by May 31, 1989; and

(c) adopt such implementation plan and improve their water and drainage charges assessment and collection procedures in accordance therewith.

Section 3.04. Punjab and Sind shall, in accordance with a phased timetable satisfactory to the Association, achieve full recovery of the O&M costs of their surface irrigation and subsurface saline drainage facilities through water and/or drainage charges.

(b) To that end, if by July 1, 1992, Punjab and Sind shall have been unable to achieve full O&M cost recovery despite the improvements in their water and drainage charges assessment and collection procedures made pursuant to Section 3.03 of this Agreement, Punjab and Sind shall:

- (i) if the shortfall is expected to be less than 25%, adjust their water and/or drainage charges so as to make up the shortfall and achieve full O&M cost recovery by July 1, 1993;
- (ii) if the shortfall is expected to be 25% or more but less than 40%, adjust their water and/or drainage charges, through periodic increases satisfactory to the Association, so as to make up the shortfall and achieve full O&M cost recovery by July 1, 1995; and
- (iii) if the shortfall is expected to be 40% or more, to adjust their water and/or drainage charges, through periodic increases satisfactory to the Association, so as to make up the shortfall and

achieve full O&M cost recovery by July 1, 1997.

(c) Punjab and Sind shall thereafter maintain such full O&M cost recovery and, to that end, continue to adjust their respective water and/or drainage charges as necessary.

(d) NWFP and Baluchistan shall automatically adjust their respective water and/or drainage charges to the levels, if any, to which Punjab and Sind, respectively, shall have adjusted their water and/or drainage charges under paragraphs (b) and (c) of this Section, provided; however, that in no case shall such adjustments result in water and/or drainage charges at levels below those assessed in FY88.

(e) The provisions of paragraphs (a), (b), (c) and (d) of this Section shall be modified in their application to any new subsurface saline drainage facilities to be completed in the future to the extent that, with respect to such facilities, the Provinces shall begin O&M cost recovery only at the end of a three-year development period commencing from the completion of such facilities.

(f) The provisions of paragraphs (a), (b) and (c) of this Section shall not apply to the subsurface saline drainage facilities constructed under the Association-financed Left Bank Outfall Drain-Phase I Project (Credit No. 1532-PAK), with respect to which Sind shall achieve and maintain full O&M cost recovery in accordance with the arrangements agreed for this purpose between the Association and Sind under that Project.

Section 3.05. (a) The Provinces shall phase out all public tubewells in fresh groundwater areas (other than those in the South Rohri and Ghotki areas in Sind), in accordance with a program mutually satisfactory to the Borrower and the Association.

(b) To that end:

- (i) the Provinces shall not undertake any future investments in new or replacement tubewells for public operation in such fresh groundwater areas; and
- (ii) Punjab and Sind shall privatize existing public tubewells in such fresh groundwater areas as follows:
 - (A) under a second SCARP transition project in the SCARP I area in Punjab, to be completed by June 30, 1994;
 - (B) under a pilot SCARP transition project in the North Rohri area in Sind, to be completed by June 30, 1994; and
 - (C) under other SCARP transition projects both in Punjab and Sind, to be initiated by July 1, 1994, and completed by June 30, 1998.

(c) Punjab and Sind shall complete and furnish to the Association the necessary feasibility studies:

- (i) for the SCARP transition projects referred to in paragraphs (b) (ii) (A) and (b) (ii) (B) of this Section, by June 30, 1989; and
- (ii) for the other SCARP transition projects referred to in paragraph (b) (ii) (C) of this Section, by March 31, 1993.

Section 3.06. The provisions of Section 3.03, Section 3.04 and Section 3.05 of this Agreement shall, to the extent relevant, constitute an integral part of, and supercede any provisions to

the contrary in, the Project Agreements for the following projects financed by the Association:

- (a) the Khairpur Tile Drainage and Irrigated Farming Development Project (Credit No. 648-PAK);
- (b) the Salinity Control and Reclamation SCARP VI Project (Credit No. 754 PAK);
- (c) the Salinity Control and Reclamation SCARP Mardan Project (Credit No. 877 PAK);
- (d) the Irrigation Systems Rehabilitation Project (Credit No. 1239 PAK);
- (e) the Fourth Drainage Project (Credit No. 1375 PAK);
- (f) the Command Water Management Project (Credit No. 1487 PAK); and
- (g) the Left Bank Outfall Drain-Phase I Project (Credit No. 1532 PAK).

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 Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of the Provinces thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify the Provinces of this event.

Section 4.03. All the 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, telegram, cable, telex or radiogram 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. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

For Punjab:

Planning and Development Board
Government of Punjab
Lahore, Pakistan

Cable address:

DEVELOPMENT
Lahore, Pakistan

Telex:

82-04-4868
Punjab Secretariat
Lahore, Pakistan

For Sind:

Planning and Development Department
Government of Sind
Karachi, Pakistan

Cable address:

DEVELOPMENT SIND
Karachi, Pakistan

For NWFP:

Planning and Development Department
Government of North West Frontier Province
Peshawar, Pakistan

Cable address:

DEVELOPMENT
Peshawar, Pakistan

For Baluchistan:

Planning and Development Department
Government of Baluchistan
Quetta, Pakistan

Cable address:

DEVELOPMENT
Quetta, Pakistan

Telex:

7875 BLNSE PK

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 any Province, or by any Province on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Chairman, Planning and Development Board (in the case of Punjab) or by the Additional Chief Secretary, Planning and Development Department (in the case of Sind, NWFP or Baluchistan) or such other person or persons as he shall designate in writing, and he shall furnish to the Association 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 the District of Columbia,

United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ H. E. Kûpp
Acting Regional Vice President
Europe, Middle East and North Africa

PROVINCE OF PUNJAB

By /s/ C. M. Afzal
Authorized Representative

PROVINCE OF SIND

By /s/ C. M. Afzal
Authorized Representative

NORTH WEST FRONTIER PROVINCE

By /s/ C. M. Afzal
Authorized Representative

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PROVINCE OF BALUCHISTAN

By /s/ C. M. Afzal
Authorized Representative

