

CONFORMED COPY

CREDIT NUMBER 2245 PAK

(Third On-Farm Water Management Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 31, 1991

CREDIT NUMBER 2245 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 31, 1991, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such

assistance in an aggregate principal amount equivalent to thirty-six million three hundred thousand United States dollars (US\$36,300,000) (the Loan);

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursement of the proceeds of the Loan are made;

(D) parts of the Project will be carried out by the Province of Punjab, the Province of Sindh, the North West Frontier Province, the Province of Balochistan (the Provinces) and the Federally Administered Tribal Areas Development Corporation (FATADC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Provinces and FATADC a portion of the proceeds of the Credit as provided in this Agreement and a portion of the proceeds of the Loan as provided in the Loan Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith among the Association, the Bank, the Provinces and FATADC;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(b) "Punjab" means the Province of Punjab, a political subdivision of the Borrower, or any successor thereto;

(c) "Sindh" means the Province of Sindh, a political subdivision of the Borrower, or any successor thereto;

(d) "NWFP" means the North West Frontier Province, a political subdivision of the Borrower, or any successor thereto;

(e) "Balochistan" means the Province of Balochistan, a political subdivision of the Borrower, or any successor thereto;

(f) "Provinces" mean Punjab, Sindh, NWFP and Balochistan collectively, and "Province" means each and any of the Provinces individually;

(g) "FATA" means the Federally Administered Tribal Areas of the Borrower;

(h) "FANA" means the Federally Administered Northern Areas of the Borrower;

(i) "FATADC" means the FATA Development Corporation, established and existing under the Borrower's Federally Administered Tribal Areas Development Corporation Regulation of 1970;

(j) "Project Agreement" means the agreement among the Association, the Bank, the Provinces and FATADC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(k) "Rs" or "rupees" mean the Borrower's currency;

(l) "Special Accounts" mean collectively the accounts referred to in Section 2.02 (b) of this Agreement and more fully defined in paragraphs (m) through (p) of this Section, and "Special Account" means each and any such account;

(m) "Punjab Special Account" means the Special Account which Punjab shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(n) "Sindh Special Account" means the Special Account which Sindh shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(o) "NWFP Special Account" means the Special Account which NWFP shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(p) "Balochistan Special Account" means the Special Account which Balochistan shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(q) "WUA" means a Water Users Association established or to be established for the purposes of the Project in any Province, FATA and FANA, in accordance with, and subject to, the provisions of the relevant WUA Legislation;

(r) "WUA Legislation" means, in respect of a Province, the Water Users Associations Ordinance of that Province, and, in respect of FATA or FANA, the corresponding legislation or regulations applicable to it;

(s) "Federal Coordination Unit" or "FCU" means the Federal Coordination Unit referred to in paragraph 1 of Schedule 4 to this Agreement;

(t) "WAPDA" means the Water and Power Development Authority of Pakistan, established and existing under the Borrower's Water and Power Development Authority Act of 1958, as amended from time to time;

(u) "WMED" means the Water Course Monitoring and Evaluation Directorate of WAPDA;

(v) "Provincial OFWM Directorate" means the On-Farm Water Management Directorate of a Province;

(w) "MinFAC" means the Borrower's Ministry of Food, Agriculture and Cooperatives;

(x) "MinKA" means the Borrower's Ministry of Kashmir Affairs and Northern Areas;

(y) "OFWM" means On-Farm Water Management;

(z) "M&E" means Monitoring and Evaluation;

(aa) "O&M" means Operation and Maintenance;

(bb) "OFWM Project II" means the Association financed Second On-Farm Water Management Project (Credit No. 1603 PAK); and

(cc) "Fiscal Year" or "FY" means the period July 1 through June 30.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirty-three million four hundred thousand Special Drawing Rights (SDR 33,400,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of their respective activities under the Project, cause Punjab, Sindh, NWFP and Balochistan to open and maintain in dollars special deposit accounts in the National Bank of Pakistan, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of the Schedule to the Project Agreement.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time

thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 2001, and ending March 15, 2026. Each installment to and including the installment payable on March 15, 2011 shall be one and one-fourth percent ( $1\frac{1}{4}\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2\frac{1}{2}\%$ ) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The following are designated as representatives of the Borrower for the purposes of

taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions:

(a) the Chairman, Planning and Development Board, Punjab, with respect to Punjab's activities under the Project;

(b) the Additional Chief Secretary, Planning and Development Department, Sindh, with respect to Sindh's activities under the Project;

(c) the Additional Chief Secretary, Planning and Development Department, NWFP, with respect to NWFP's activities under the Project;

(d) the Additional Chief Secretary, Planning and Development Department, Balochistan, with respect to Balochistan's activities under the Project; and

(e) the Chairman, FATADC, with respect to FATADC's activities under the Project.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end: (i) shall carry out its activities in FANA under the Project through MinKA with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and irrigation practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such activities; and (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause the Provinces and FATADC to perform in accordance with the provisions of the Project Agreement all of the obligations of the Provinces and FATADC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Provinces and FATADC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall:

- (i) retain an amount equivalent to about SDR 3,000,000 out of the proceeds of the Credit and an amount equivalent to about \$2,510,000 out of the proceeds of the Loan for the purposes of the Borrower's activities under the Project;
- (ii) make available to Punjab an amount equivalent to about SDR 15,720,000 out of the proceeds of the Credit and an amount equivalent to about \$13,140,000 out of the proceeds of the Loan for the purposes of Punjab's activities under the Project;

- (iii) make available to Sindh an amount equivalent to about SDR 8,660,000 out of the proceeds of the Credit and an amount equivalent to about \$7,250,000 out of the proceeds of the Loan for the purposes of Sindh's activities under the Project;
- (iv) make available to NWFP an amount equivalent to about SDR 3,240,000 out of the proceeds of the Credit and an amount equivalent to about \$2,710,000 out of the proceeds of the Loan for the purposes of NWFP's activities under the Project;
- (v) make available to Balochistan an amount equivalent to about SDR 2,620,000 out of the proceeds of the Credit and an amount equivalent to about \$2,190,000 out of the proceeds of the Loan for the purposes of Balochistan's activities under the Project;
- (vi) make available to FATADC an amount equivalent to about SDR 160,000 out of the proceeds of the Credit and an amount equivalent to about \$140,000 out of the proceeds of the Loan for the purposes of FATADC's activities under the Project; and
- (vii) retain an amount equivalent to about \$8,360,000 out of the proceeds of the Loan to be utilized by the Borrower for allocation to itself, to the Provinces and to FATADC on a first come, first serve basis for the purposes of their activities under the Project after the initial allocations set forth in subparagraphs (i) through (vi) above have been fully utilized.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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 this Agreement.

Section 3.03. The Borrower and the Association hereby agree that 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 activities to be carried out in the Provinces and FATA shall be carried out by the Provinces and FATADC, respectively, pursuant to Section 2.03 of the Project Agreement.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of FCU and MinKA.

(b) The Borrower shall:

- (i) have the records and accounts referred to

in paragraph (a) of this Section 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, a certified copy of 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, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. Except as the Association shall otherwise agree, the Borrower shall, with effect from July 1, 1991, implement in FANA and FATA a policy to recover from farmers the cost of construction materials to be provided under future OFWM projects, including the Project, under which:

(a) in respect of renovation of watercourses and construction of water storage tanks under such projects, 20% of such cost shall be recovered from the farmers as a lumpsum advance; and

(b) in respect of installation of hydra ram lifting and other higher efficiency irrigation technology devices under such projects, 80% of such cost shall be recovered from the farmers as a lumpsum advance.



Section 4.03. The Borrower shall carry out, not later than June 30, 1993, under terms of reference satisfactory to the Association, a study on the possible role of WUAs in the distribution of irrigation water within the minor canal and watercourse commands, and shall thereafter implement the recommendations of such study as shall have been agreed with the Association.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Any Province or FATADC shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Province or FATADC will be able to perform its obligations under the Project Agreement.

(c) The WUA Legislation of FANA, any Province or FATA shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower, any Province or FATADC to perform any of its obligations under this Agreement or the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FATADC or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement; and

(b) the Executive Committee of the National Economic Council has approved the PC-1 documents with respect to the Project.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly

authorized or ratified by the Provinces and FATADC, and is legally binding upon the Provinces and FATADC in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The provisions of paragraphs (a) and (b) of Section 5.02 of the Development Credit Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Affairs Division  
Islamabad  
Pakistan

Cable address:

ECONOMIC  
Islamabad

Telex:

ECDIV-05-634

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:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Arshad Farooq

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

SCHEDULE 1

Withdrawal of the Proceeds of the  
Credit and of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and of the Loan, the allocation of the amounts of the Credit and of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expendi- tures to be Financed
(1)			89%
(a) Civil works materials and skilled labor for:			
(i) FANA	130,000	100,000	
(ii) FATA	130,000	100,000	
(iii) Sindh	7,450,000	5,290,000	
(iv) NWFP	2,750,000	1,950,000	
(v) Balochistan	1,990,000	1,410,000	
(b) Civil works materials for Punjab	12,760,000	9,070,000	
(2) Equipment for:			100% of foreign ex- penditures, 100% of local ex- penditures (ex-factory cost) and 60% of local ex- penditures for other items pro- cured locally
(a) FCU	80,000	50,000	
(b) FANA	10,000	10,000	
(c) FATA	10,000	10,000	
(d) Punjab	630,000	450,000	
(e) Sindh	180,000	130,000	
(f) NWFP	70,000	50,000	
(g) Balochistan	200,000	140,000	
(3) Consultants' services:			
(a) inter- nationally			

	selected	1,190,000	850,000	100%
(b)	local supervisory	990,000	700,000	90%
(c)	Monitoring and Evaluation	580,000	410,000	90%
(4)	Incremental staff salaries and (non-travel) allowances for:			92%
(a)	FANA	20,000	20,000	
(b)	FATA	20,000	20,000	
(c)	Punjab	2,320,000	1,640,000	
(d)	Sindh	1,040,000	740,000	
(e)	NWFP	420,000	300,000	
(f)	Balochistan	430,000	310,000	
(5)	Unallocated	0	12,550,000	
	TOTAL	33,400,000	36,300,000	
		=====	=====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental staff salaries and (non-travel) allowances" means the salaries and (non-travel) allowances of staff assigned to the engineering and irrigation agronomy field teams established for the purposes of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 3,520,000, may be made on account of payments made for expenditures before that date but after June 1, 1990; (b) for Categories 1(a)(i), 2(b) and 4(a), unless and until the Borrower has enacted WUA Legislation satisfactory to the Association for FANA; (c) for Categories 1(a)(ii), 2(c) and 4(b), unless and until the Borrower has enacted WUA Legislation satisfactory to the Association for FATA; and (d) for Categories 1(a)(iii), 2(e) and 4(d), unless and until Sindh has reached a recovery level of 25% of amounts due on account of the cost of construction materials provided to farmers under OFWM Project II.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to increase agricultural production through improved on-farm water management (OFWM) practices; (ii) to enhance the capabilities of OFWM agencies in order to enable them to carry out an expanding OFWM program and to facilitate their coordination with extension agencies; (iii) to strengthen WUAs and to increase farmer participation in them so as to improve water and non-water input management and to ensure efficient O&M of installed facilities; and (iv) to reduce the Borrower's financial obligations in respect of OFWM works through increased cost recovery and encouragement of WUAs to assume O&M responsibilities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: On-Farm Water Management (OFWM) Program

1. Renovation of watercourses, including brick/cement/precast slab lining of selected sections, installation of permanent outlets (pucca nuccas), construction of culverts, a limited number of check/drop structures, buffalo baths and laundry-sites, and improvement of the earthen sections.
2. Construction of water storage tanks and associated watercourses in rainfed (barani) areas.
3. Carrying out of precision land leveling (PLL) of irrigated land, including provision of technical assistance, and, in Balochistan, equipment on rent.
4. Rehabilitation and upgrading of flood plain (sailaba) irrigation schemes in Balochistan, including installation of permanent (pucca) diversion structures and rehabilitation of off-taking channels.
5. Installation, on a pilot basis, of a limited number of hydra ram lifting and other higher efficiency irrigation technology devices in Punjab.
6. Establishment of demonstration centers for renovated watercourses, including provision of additional agricultural inputs.

Part B: OFWM Program Implementation Facilities

1. Construction of office space and residences for 5 field teams in remote areas, and a hostel and classroom at the OFWM Training Institute, all in Balochistan.
2. Strengthening of the OFWM Training Institute in Sindh.
3. Construction of 5 Farmer Training Centers in Punjab.
4. Provision of vehicles, land leveling equipment, including laser controls, hand compactors, and survey and office equipment.

Part C: Technical Assistance and Training

1. Provision of internationally recruited technical experts in water management, irrigation agronomy, sociology, M&E and training.
2. Provision of training for OFWM field team staff, extension workers and WUA officers and members.

\* \* \* \*

The Project is expected to be completed by June 30, 1995.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods

###### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Pakistan may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

###### Part C: Other Procurement Procedures

1. Cement may be procured following the usual procedures of the Borrower or the Provinces, as the case may be, satisfactory to the Association.
2. Brick, sand, gravel and precast concrete outlet structures (pucca nuccas) and slabs may be procured under contracts awarded (a) in Punjab, Sindh and NWFP, on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association; and (b) in Balochistan, FATA and FANA, on the basis of evaluation and comparison of bids invited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.
3. Reinforcement steel bars, PVC and concrete pipes and plastic sheets may be procured under contracts awarded on the basis of evaluation and comparison of bids invited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.
4. Land leveling equipment (other than laser controls), hydra ram pumps and other higher efficiency irrigation equipment estimated to cost up to an aggregate amount not to exceed the equivalent of \$100,000, and bicycles estimated to cost up to an aggregate amount not to exceed the equivalent of \$15,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
5. Except as provided in paragraph 6 below, office and survey equipment may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
6. Office and survey equipment, estimated to cost less than the equivalent of \$1,000 per contract, up to an

aggregate amount not to exceed the equivalent of \$100,000, may be procured under contracts awarded on the basis of evaluation and comparison of bids invited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

7. Skilled labour in Sindh, NWFP, Balochistan, FATA and FANA may be procured through direct hire.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works materials (other than cement) and equipment estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of the Schedule to the Project Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower, FATADC and the Provinces in carrying out and in monitoring and evaluating the Project, the Borrower shall employ supervisory consultants and technical experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants and experts shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

A. Institutional Arrangements

1. Federal Coordination Unit

(a) At the federal level, responsibility for Project coordination shall be assigned to FCU established in MinFAC under staffing and reporting arrangements satisfactory to the Association. Specifically, FCU shall consist of a Coordinator, a deputy, an administrative officer and support staff and shall report directly to the responsible Additional Secretary in MinFAC. FCU shall receive assistance from the supervisory consultants appointed for the purposes of the Project.

(b) FCU shall be specifically responsible, inter alia, for: (i) preparing, by April 1 of each year, a consolidated annual work plan based on the inputs of the implementing agencies; (ii) preparing consolidated quarterly and annual progress reports, for submission to the Association within 60 days of the end of the reporting period, as well as Part II of the Project Completion Report; (iii) international procurement of equipment required by the implementing agencies; (iv) appointing the supervisory consultants and technical experts; and (v) concluding the interagency M&E agreement with WAPDA referred to in paragraph 12 below.

## 2. Provincial OFWM Directorates

(a) The Provincial OFWM Directorates shall operate within the respective Provincial Departments of Agriculture, and shall be responsible for the implementation of the Project at the provincial level. Each Provincial OFWM Directorate shall be headed by a Director General and shall generally include Directors/Deputy Directors of field, training, planning and monitoring, and administration.

(b) Each Provincial OFWM Directorate shall be specifically responsible, inter alia, for: (i) planning, designing, laying out and inspecting all Project civil works; (ii) ensuring that civil works construction meets agreed criteria and specifications; (iii) verifying quantity and quality of completed civil works; (iv) preparing and submitting withdrawal applications to the Association; (v) organizing, registering, training, and assisting WUAs; (vi) local procurement of equipment and materials, and submitting to FCU their international procurement requirements; (vii) preparing annual work plans by March 1 of each year as input to the following fiscal year's Annual Development Program (ADP) and to the consolidated project annual work plan; and (viii) submitting quarterly and annual progress reports to FCU within 30 days of the close of each reporting period.

## 3. FATA Development Corporation

FATADC, under its Chairman, shall be responsible for the implementation of the Project in FATA, its responsibilities replicating those of the Provincial OFWM Directorates.

## 4. Ministry of Kashmir Affairs and the Northern Areas

MinKA, under its Secretary, shall be responsible for the implementation of the Project in FANA, its responsibilities replicating those of the Provincial OFWM Directorates.

## 5. OFWM Field Teams

(a) At the field level, about 228 OFWM field teams, divided into engineering field teams and irrigation agronomy field teams, shall have implementation responsibilities for the Project.



(b) The OFWM engineering field teams shall be responsible for the planning, design and construction of all OFWM improvements, including engineering assistance to WUAs and work on individual farms.

(c) The OFWM irrigation agronomy field teams shall be responsible, inter alia, for: (i) preorganization orientation of prospective farmer groups interested in OFWM improvements; (ii) organization and registration of WUAs; (iii) assistance and counseling to WUAs in their operations and in their liaison with the engineering field teams; (iv) assistance in the establishment and operation of demonstration centers; (v) guidance to WUA members in the adoption of efficient irrigation techniques and in the best use of saved water; and (vi) liaison with extension staff to encourage and facilitate their participation in activities relating to demonstration centers, operation of WUAs and provision of non-water inputs and services to individual farmers. The Provinces, FATADC and MinKA shall, not later than September 30, 1991, prepare, and furnish to the Association for its review, operational action plans for their respective irrigation agronomy field teams.

(d) In Balochistan and NWFP, the engineering and irrigation agronomy field teams shall be under the supervision of the Director Field; in Punjab and Sindh, the engineering field teams shall be under the supervision of the Director Field, while the irrigation agronomy field teams shall be under the supervision of the Director of Irrigation Agronomy. The Chairman of FATADC and the responsible Additional Secretary in MinKA shall be administratively and technically in charge of the field teams in FATA and FANA, respectively.

#### 6. Water Users Associations (WUAs)

(a) As a condition of obtaining financial assistance for the purposes of Parts A.1, A.2, A.4 and A.5 of the Project, farmers shall be required to form WUAs at each outlet command (deh or chak).

(b) WUAs shall be primarily responsible for: (i) providing unskilled labor required for purposes of construction and/or renovation of OFWM facilities; (ii) assuring that the cost recovery charges they shall be expected to pay are only those for materials supplied and actually used in construction of works; and (iii) operating and maintaining newly constructed and/or renovated OFWM facilities.

(c) WUAs shall also be encouraged to assume additional responsibilities, inter alia, for: (i) undertaking OFWM work on farm branches and field ditches; (ii) participating in the process of water allocations within and for the watercourse command; (iii) organizing federations to participate in O&M and water allocation decisions relating to minors and distributaries; (iv) O&M of tubewells in fresh groundwater (FGW) areas; (v) installing surface drains within the watercourse command; (vi) facilitating distribution of water and non-water inputs; and (vii) participating in the development and utilization of findings obtained from OFWM demonstration centers.

#### B. Civil Works Criteria

7. Selection of Watercourses. In selecting the watercourses for improvement under the Project, and in determining the length of lining and other improvements for such watercourses, MinKA, the Provincial OFWM Directorates and FATADC shall use, or cause to be used,

criteria satisfactory to the Association.

8. Designs and Specifications. In carrying out the civil works under the Project, MinKA, the Provincial OFWM Directorates and FATADC shall use, or cause to be used, designs and specifications satisfactory to the Association.

9. Additional permanent (pucca) improvements. Financial assistance for additional permanent improvements on watercourses shall be available where farmers have rehabilitated farm branches and field ditches and/or where less costly technology has been selected by WUAs for such improvements.

#### C. Consultants' Services and Training

10. Employment of Supervisory Consultants and Technical Experts. The supervisory consultants and technical experts referred to in Section II of Schedule 3 to this Agreement shall be appointed not later than September 30, 1991.

11. Training Program. A training program for the purposes of Part C.2 of the Project shall be prepared on the basis of the requirements stated by MinKA, the Provincial OFWM Directorates and FATADC, respectively, and furnished to the Association through FCU not later than September 30, 1991.

#### D. Monitoring and Evaluation

12. Monitoring Agencies. MinKA, the Provincial OFWM Directorates and FATADC shall be responsible for monitoring physical and financial progress in their respective areas of responsibility under the Project. For this purpose, each Provincial OFWM Directorate shall have a Director or Deputy Director of Monitoring and Planning, who shall be responsible for supervision of data collection and analysis and preparation of quarterly and annual progress reports. In MinKA and FATADC, this responsibility shall be handled in the office of the project director.

13. Evaluation Agency. WMED shall be given responsibility for carrying out the impact evaluation of the Project under terms of reference satisfactory to the Association. To that end, MinFAC through FCU shall, not later than September 30, 1991, enter into an inter-agency agreement with WAPDA under terms and conditions satisfactory to the Association.

#### E. Operation and Maintenance (O&M)

##### 14. Civil Works

(a) WUAs shall be responsible for O&M of renovated watercourses, water storage tanks, sailaba flood irrigation improvements and hydra ram pumps.

(b) Individual farmers shall be responsible for O&M of farm branches and field ditches, precision land leveling (PLL) and higher efficiency irrigation systems.

(c) MinKA, the Provincial OFWM Directorates and FATADC shall assist WUAs and individual farmers in discharging their responsibilities under paragraphs (a) and (b) above by providing the necessary technical services through their respective irrigation agronomy field teams.

##### 15. Vehicles, Office and Survey Equipment

FCU, MinKA, the Provincial OFWM Directorates and FATADC shall be responsible for O&M of the vehicles and equipment provided to them, respectively, under the Project.

