
LOAN NUMBER 2841-PAK (SF)

PROJECT AGREEMENT

(Punjab Irrigated Agriculture Investment Program – Project 2)

between

ASIAN DEVELOPMENT BANK

and

PROVINCE OF PUNJAB

DATED 18 January 2012

PROJECT AGREEMENT

PROJECT AGREEMENT dated 18 January 2012 between ASIAN DEVELOPMENT BANK ("ADB") and PROVINCE OF PUNJAB ("Punjab").

WHEREAS

(A) by a Loan Agreement between the Islamic Republic of Pakistan ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan in various currencies equivalent to one hundred seventy two million four hundred seventeen thousand Special Drawing Rights (SDR 172,417,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loan be made available to Punjab and that Punjab agree to undertake certain obligations towards ADB set forth herein; and

(B) Punjab, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. (a) Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

(b) In addition to the terms referred to in subsection (a) hereinabove, the following terms, wherever used in this Project Agreement, unless the context otherwise requires, have the following meaning:

(i) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(ii) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(iii) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009); and

(iv) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, the EMP, the LARP and the indigenous peoples plan (as applicable), including any corrective and preventative actions.

ARTICLE II

Particular Covenants

Section 2.01. (a) The Project Executing Agency shall carry out the Project with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental, social, maintenance and operational, and irrigated agriculture development practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Project Executing Agency shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to Punjab and/or PID, and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. Punjab shall make available, promptly as needed, the funds, facilities, services, equipment, land and other resources as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, the Project Executing Agency shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, the Project Executing Agency shall procure all items of expenditures to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. The Project Executing Agency shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. The Project Executing Agency shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) The Project Executing Agency shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Project Executing Agency undertakes to insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. The Project Executing Agency shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record

the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) The Project Executing Agency shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

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

(c) ADB and Punjab shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, PID and the Loan.

Section 2.08. (a) The Project Executing Agency shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of PID; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, the Project Executing Agency shall furnish to ADB quarterly reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, the Project Executing Agency shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by Punjab of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) Punjab shall cause PID to (i) maintain separate accounts for the Project; (ii) have such accounts and related financial statements (balance sheet, statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (iii) furnish to ADB, promptly after their preparation but in any event not later than 6 months after the close of the fiscal year to which they relate, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of the Loan Agreement as well as on the use of the procedures for imprest account and statement of expenditures), all in the English language. Punjab shall furnish to ADB such further information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) Punjab shall enable ADB, upon ADB's request, to discuss PID's financial statements and its financial affairs with respect to the Project from time to time with the auditors appointed by Punjab pursuant to subsection (a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of Punjab unless Punjab shall otherwise agree.

Section 2.10. The Project Executing Agency shall enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents.

Section 2.11. (a) The Project Executing Agency shall at all times conduct its business in accordance with sound applicable administrative, financial, engineering, environmental, social, maintenance and operational, and irrigated agriculture development practices, and under the supervision of competent and experienced management and personnel.

(b) The Project Executing Agency shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, Punjab shall not sell, lease or otherwise dispose of any of its irrigation and water resources assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, Punjab shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

ARTICLE III

Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement comes into force and effect. ADB shall promptly notify Punjab of such date.

Section 3.02. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

ARTICLE IV**Miscellaneous**

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project 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, mail or facsimile to the party to which it is required or permitted to be given or made at its 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 ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2428.

For Punjab

Civil Secretariat
Irrigation Department
Od Anarkali Road
Lahore, Pakistan

Facsimile Number:

(9242) 9921-2116.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement or under Section 6.01 of the Loan Agreement by or on behalf of Punjab may be taken or executed by its Governor or by such other person or persons as he or she shall so designate in writing notified to ADB.

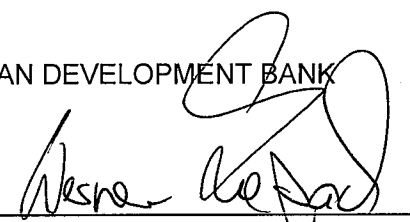
(b) Punjab shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default,

or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.


IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names as of the day and year first above written, and to be delivered at the principal office of ADB.

ASIAN DEVELOPMENT BANK

By 

WERNER LIEPACH
Authorized Representative

PROVINCE OF PUNJAB

By 

IRFAN ILAHI
Authorized Representative

SCHEDULE

Execution of Project; Financial Matters

Implementation Arrangements

1. The Project Executing Agency shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM and Schedule 3 of the FFA. Any subsequent change to the PAM shall become effective only after approval of such change by the Project Executing Agency and ADB. In the event of any discrepancy between the PAM and/or Schedule 3 of the FFA and this Project Agreement, the provisions of this Project Agreement shall prevail.

Environment

2. The Project Executing Agency shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

3. The Project Executing Agency shall ensure that all land and all rights-of-way required for the Project and all Project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the LARF; and (d) all measures and requirements set forth in the LARP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

4. Without limiting the application of the Involuntary Resettlement Safeguards, the LARF or the LARP, the Project Executing Agency shall ensure that (a) no land shall be acquired for the purposes of the Project under the emergency acquisition provisions of the Borrower's Land Acquisition Act (1984), as amended, and (b) no physical or economic displacement takes place in connection with the Project until:

- (i) compensation and other entitlements have been provided to affected people in accordance with the LARP; and
- (ii) a comprehensive income and livelihood restoration program has been established in accordance with the LARP.

Indigenous Peoples

5. The Project Executing Agency shall ensure that the Project does not have any indigenous peoples impacts within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impact, The Project Executing Agency shall take

all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and the Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

6. Punjab shall make available necessary budgetary and human resources to fully implement the EMP and the LARP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Project Executing Agency shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, the EMP and LARP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Project Executing Agency with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP or the LARP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction;

Safeguards Monitoring and Reporting

8. The Project Executing Agency shall do the following:

- (a) submit quarterly Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP or the LARP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than 6 months after the date of effectiveness of the Loan Agreement, engage a qualified and experienced external expert or

qualified NGO under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external expert; and

- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the LARP promptly after becoming aware of the breach.

Prohibited List of Investments

9. Punjab shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Health and Labor Standards

10. The Project Executing Agency shall ensure that all contractors: (a) comply with all laws and mandated provisions on labor, health, safety, sanitation and working conditions; (b) use their best efforts to employ women and local people negatively affected by, or living in the vicinity of, the Project; (c) disseminate information at worksites and campsites for those employed during construction on (i) the risks of sexually transmitted diseases and HIV/AIDS and (ii) the prevention of trafficking of women and children; (d) are required not to differentiate between men and women's wages or benefits for work of equal value; (e) provide accommodation to construction workers at campsites during the construction period and ensure that all work sites and campsites are safe for all employees, service providers, the public and road users; (f) eliminate all forms of forced or compulsory labor; (g) allow freedom of association and the right of assembly; and (h) abstain from engaging persons below the legally employable age in Pakistan.

Governance and Corruption

11. Punjab shall, and shall cause PID to, (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

12. The Project Executing Agency shall ensure that (a) relevant provisions of ADB's Anticorruption Policy are included in all bidding documents for the Project; (b) all contracts finance by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of PID and PMO Barrages, and all contractors, suppliers, consultants, and other service providers as they relate to the Project; (c) an external audit of procurement activities is carried out at least twice during the Project implementation.

13. The Project Executing Agency shall use PID's existing website to present financial statements and track procurement contract awards, and include information on, among other things, the list of participating bidders, name of winning bidders, basic details on bidding procedures adopted, amounts of the contracts awarded, the list of goods and/or services purchased, and their intended and actual utilization.

Auditing and Monitoring

14. The proceeds of the Loan may be used to finance the expenditures for (a) the annual audits of Project accounts and financial statements in accordance with Section 2.09 of this Project Agreement, and (b) the external audit in accordance with paragraph 12(c) above, provided that the auditors have qualifications, expertise, and terms of reference acceptable to ADB, and are selected in accordance with the procedures acceptable to ADB.