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LOAN NUMBERS 2299-PAK and 2300-PAK(SF)

PROJECT AGREEMENT

(Punjab Irrigated Agriculture Investment Program – Project 1)

between

ASIAN DEVELOPMENT BANK

and

PROVINCE OF PUNJAB

DATED 22 JUNE 2007

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PAL:PAK 37231

## PROJECT AGREEMENT

PROJECT AGREEMENT dated 22 June 2007 between ASIAN DEVELOPMENT BANK (hereinafter called ADB) and PROVINCE OF PUNJAB (hereinafter called Punjab).

### WHEREAS

(A) By a Loan Agreement of even date herewith between the Islamic Republic of Pakistan (hereinafter called the Borrower) and ADB (hereinafter called the Ordinary Operations Loan Agreement), ADB has agreed to make to the Borrower a loan (hereinafter called the Ordinary Operations Loan) of twenty-five billion six hundred thirty-seven million eight hundred twenty-seven thousand Japanese Yen (¥ 25,637,827,000) for the purposes of the Project, except for Part F thereof, described in Schedule 1 to the Ordinary Operations Loan Agreement on the terms and conditions set forth therein;

(B) By a Loan Agreement of even date herewith between the Borrower and ADB (hereinafter called the Special Operations Loan Agreement, and together with the Ordinary Operations Loan Agreement, the Loan Agreements), ADB has agreed to make to the Borrower a loan (hereinafter called the Special Operations Loan, and together with the Ordinary Operations Loan, the Loans) of six million seven hundred forty-three thousand Special Drawing Rights (SDR 6,743,000) for the purposes of Part F of the Project on the terms and conditions set forth in the Special Operations Loan Agreement;

(C) ADB has agreed to make the Loans only on the condition that the proceeds of the Loans be made available to Punjab and that Punjab agree to undertake certain obligations towards ADB as hereinafter set forth; and

(D) Punjab, in consideration of ADB entering into the Loan Agreements with the Borrower, has agreed to undertake the obligations hereinafter set forth;

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 Ordinary Operations 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 paragraph (a) of this Section, the following terms, whenever used in this Project Agreement, unless the context otherwise requires, have the following meanings:

- (i) "*abiana*" means irrigation service fee;

(ii) "DOWFM" means the Directorate of On Farm Water Management of the Punjab Department of Agriculture, and any successor thereto acceptable to ADB;

(iii) "IPPMU" means the Investment Program Planning and Management Unit to be established as described in paragraph 3 of the Schedule to this Project Agreement;

(iv) "PIDA" means the Punjab Irrigation and Drainage Authority, and any successor thereto acceptable to ADB;

(v) "PIU" means each of the Project Implementation Units, as described in paragraph 4 of the Schedule to this Project Agreement;

(vi) "PMO Barrages" means the project management office established by PIPD for implementing the ongoing Taunsa Barrage Emergency Rehabilitation Project financed by the World Bank;

(vii) "PMU" means the Project Management Unit, as described in paragraphs 4 and 5 of the Schedule to this Project Agreement; and

(viii) "RF" means the Resettlement Framework prepared for the Project dated October 2006 and agreed with ADB.

## **ARTICLE II**

### **Particular Covenants**

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

(b) In the carrying out of the Project and operation of the Project facilities, Punjab through PIPD shall perform all obligations set forth in each of the Loan Agreements to the extent that they are applicable to Punjab 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 which are required, in addition to the proceeds of the Loans, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, Punjab through PIPD 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, all Goods, Works and consulting services to be financed out of the proceeds of the Loans shall be procured in accordance with the provisions of Schedule 4 to the Ordinary Operations Loan Agreement. ADB may refuse to finance a contract where Goods, Works or consulting services have 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. Punjab though PIPD shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Punjab 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) Punjab shall cause PIPD to take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of the 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, Punjab undertakes to insure, or cause to be insured, the Goods to be imported for the Project and to be financed out of the proceeds of the Loans 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. Punjab though PIPD shall maintain, or cause to be maintained, records and accounts adequate to identify the Goods, Works and consulting services and other items of expenditure financed out of the proceeds of the Loans, 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) ADB and Punjab shall cooperate fully to ensure that the purposes of the Loans will be accomplished.

(b) Punjab though PIPD 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 Loans.

(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, Punjab, and the Loans.

Section 2.08. (a) Punjab though PIPD shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loans and the expenditure of the proceeds thereof; (ii) the Goods, Works and consulting services and other items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of Punjab; and (v) any other matters relating to the purposes of the Loans.

(b) Without limiting the generality of the foregoing, Punjab through PIPD 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 three (3) months thereafter or such later date as ADB may agree for this purpose, Punjab 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 Loans.

Section 2.09. (a) Punjab shall cause DOFWM, PIDA, PIPD, and PMO Barrages 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 six (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 proceeds of the Loans and compliance with the financial covenants of the Loan Agreements as well as on the use of the procedures for imprest accounts/statements 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 Punjab's financial statements and its financial affairs with respect to the Project from time to time with the auditors appointed by Punjab pursuant to Section 2.09(a) hereabove, 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. Punjab shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loans, all other plants, sites, properties and equipment of the Punjab, and any relevant records and documents.

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

(b) Punjab 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 administrative, financial, engineering,

environmental, social, maintenance and operational, and irrigated agriculture development 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 Loans to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreements and this Project Agreement, and shall ensure that all Goods, Works and consulting services 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 both of the Loan Agreements shall come 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 either or both of the Loan Agreements.

### **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 or by mail, telegram, cable, telex, facsimile or radiogram 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  
P.O. Box 789

0980 Manila, Philippines

Facsimile Numbers:

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

For Punjab

Civil Secretariat  
Irrigation and Power Department  
Od Anarkali Road  
Lahore, Pakistan

Facsimile Number:

(9242) 921-2116.


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 7.01 of each 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 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 paragraph (a) of this Section, together with the authenticated specimen signature of each such person.

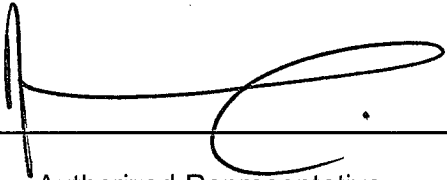
Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action 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 and to be delivered at the principal office of ADB, as of the day and year first above written.

ASIAN DEVELOPMENT BANK

By   
\_\_\_\_\_  
PETER L. FEDON  
Country Director  
Pakistan Resident Mission

PROVINCE OF PUNJAB

By   
\_\_\_\_\_  
Authorized Representative

## SCHEDULE

### Execution of Project; Financial and Other Matters

#### Executing Agency

1. PIPD shall be the Executing Agency for the Project. PIPD shall have overall responsibility for the Project implementation, and specifically for all irrigation system rehabilitation and upgrading works, and reporting on both physical and financial progress.

#### Project Steering Committee

2. The project steering committee established under the TA No. 4642-PAK: Punjab Irrigated Agriculture Development Sector Project shall serve as the Project Steering Committee (PSC). The PSC shall be chaired by the Chairman of the Punjab Planning and Development Board (PPDB), and members shall include Secretary of the Punjab Department of Agriculture (PDA), the Secretaries of the Punjab Departments of Finance, Irrigation, and Environment, Member Engineering of PPDB, and Managing Director of PIDA. The PSC shall meet at least twice a year to provide policy guidance and review implementation of the Project and Investment Program.

#### IPPMU

3. Punjab shall cause PIPD to establish, within six (6) months of the Effective Date, the IPPMU within the Strategic Planning Cell of the PIPD. The IPPMU shall be headed by a Program Director, who shall be hired within three (3) months of the Effective Date, supported by a Deputy Director Planning, economist, and agronomist. The IPPMU shall be responsible for implementing Part F of the Project.

#### PMU and PIUs

4. Punjab shall cause PIPD to establish, within six (6) months of the Effective Date, a PMU at the headquarters in Lahore, and three divisional PIUs at Okara, Sahiwal, and Khaniwal. The PMU shall be headed by a qualified Project Director, who shall be hired within three (3) months of the Effective Date, and supported by Director Engineering, Director Finance and Procurement, and Director Monitoring and Evaluation. The Director of Monitoring and Evaluation will oversee operations of the four cells: (i) monitoring and evaluation, (ii) groundwater, (iii) resettlement, and (iv) environment. Each PIU shall be headed by a Deputy Project Director. All PMU and PIU professional staff shall be appointed on a full time basis and have qualifications acceptable to ADB.

5. The PMU shall be responsible for overall project management and coordination, overseeing the day-to-day Project implementation, including (a) the recruitment of consultants, (b) supervision of the design and construction supervision consultants and processing of payments under contracts upon approval by the Engineer, (c) coordination and monitoring of civil works on various system components, (d) implementation of the EIA and RPs, (e) coordination between DOFWM, PIDA, PIPD, IMUs, and FOs on institutional reforms, (f) coordination and supervision of the groundwater management initiatives; and (g)

financial accounting and management. The PMU shall also serve as the secretariat for the PSC.

#### Rehabilitation and Upgrading (R&U)

6. Punjab shall cause PIPD to establish, within six (6) months of the Effective Date, a project office under the supervision of PMO Barrages to implement activities under Part A of the Project. The project office shall be headed by a Deputy Project Director, , who shall be hired within three (3) months of the Effective Date and who shall be a part of PMO Barrages throughout the implementation of this component. Part B of the Project shall be implemented by the PMU with support of the PIUs.

7. The role of the Engineer, for all civil works contracts at the barrage, main, distributary and minor canals, shall be assigned to the design and supervision consultants who will (a) provide design services, (b) prepare contract documentation and assist in prequalification and evaluation of bids, and (c) provide subsequent detailed construction supervision and approve payments under the contracts.

8. FOs will participate in R&U of the distributary and minor canals as follows (a) FOs will identify and propose small scale civil works suitable for community contracting on the basis of a system walk-through with the PMU, except for the 15-L and Jandraka Canals, (b) the PMU will carry out surveys and design of works through the Engineer in consultation with FOs, and such works will be included in the larger contracts, and (c) PIPD, the PMU and FOs will establish a committee to facilitate dialogue, provide feedback, and address FOs concerns with respect to the R&U. PIPD will conduct a pilot trial for full FO management of civil works, under the PMU supervision, in a small and technically appropriate minor or distributary canal. The procedures for FOs participation in R&U will be refined during the Project for replication in subsequent projects under the Investment Program.

#### Groundwater Management

9. The PMU's groundwater cell shall carry out activities under Part C of the Project. The groundwater cell shall be headed by a Deputy Director under Director Monitoring and Evaluation and supported by consultants.

#### On Farm Water Management and Agriculture

10. DOFWM shall be the implementing agency for Part D of the Project. Punjab shall cause DOFWM to establish, within six (6) months of the Effective Date, a Project Management Office (the DOFWM PMO) headed by a Director, who shall be hired within three (3) months of the Effective Date. The DOFWM PMO shall be responsible for regularly liaising with the PMU and coordinating activities with PDA's offices in Okara, Sahiwal, and Khaniwal. DOFWM shall provide twelve (12) deputy water management officers for establishing and operating FO field programs, and providing assistance to FOs through IMUs.

Institutional Strengthening and Operational Modernization

11. PIDA and the PMU shall implement Part E of the Project. Punjab shall cause PIDA to establish, within six (6) months of the Effective Date, a Program Management Office (the PIDA PMO) at Sahiwal, headed by a Program Director, who shall be hired within three (3) months of the Effective Date. The PIDA PMO shall (a) liaise with the PMU and oversee initial FOs mobilization and establishment activities, (b) coordinate longer term training and support activities provided through IMUs, and (c) carry out monitoring and evaluation activities.

12. Punjab shall cause PIDA to establish, within one (1) month of the Effective Date, FO support offices (FOSOs) to carry out mobilization and establishment of FOs during the initial three (3) years of the Project implementation. Punjab shall ensure that all further training and support for FOs is provided through twelve (12) IMUs. Each IMU shall be supported by one deputy water management officer provided by DOFWM and a Coordinator provided by PIDA. The remaining IMU staff shall be hired by FOs with support of the PMU consultants and PIDA. Each IMU shall be governed by a committee comprising representatives of FOs served by IMU.

13. Punjab shall ensure that all counterpart staff required for Project implementation are recruited in an expeditious manner, to avoid any delays in Project implementation.

FOs Issues

14. Punjab shall ensure that
- (a) all vehicles and equipment procured under the Project for the use of DOFWM and PIDA remain with IMUs or FOs following the completion of the work by DOFWM and/or PIDA;
  - (b) FOs and IMUs are provided with adequate offices at no cost to FOs or IMUs throughout the Project implementation and thereafter;
  - (c) accounts and related financial statements of each FO established under the Project are externally audited on an annual basis; and
  - (d) external monitoring and evaluation for the entire FO program, including mobilization and training by PIDA, is carried out during the Project implementation.

Water Sector Institutional Framework

15. Punjab shall,
- (a) by no later than 31 July 2007, develop a framework for stakeholders discussions for assessing, among others: (i) resource management for surface and groundwater, (ii) irrigation and drainage service delivery, (iv) flood control, (v) water quality, (vi) hydropower, and (iii) water supply and sanitation;

- (b) by no later than 30 June 2009, develop a time bound sector roadmap based on the stakeholders discussions;
- (c) by no later than 31 December 2008, adopt the revised rules for FOs and AWB, and a model irrigation management transfer agreement developed under the Project; and
- (d) by no later than 31 December 2008, submit to the Provincial Assembly for consideration a legislation on a source of independent legal authority and establishment of FOs independent of the Punjab Irrigation and Drainage Authority Act dated 2 July 1997.

#### LBDC Circle and AWB

16. Punjab shall ensure that LBDC Circle of PIPD reports directly to the PMU throughout the Project implementation. Punjab shall, by 30 June 2011, develop and adopt a rationalized staffing plan and personnel procedures for LBDC, based on an operations modernization strategy to be developed under Part E(iv) of the Project.

17. Punjab shall ensure that, by 30 June 2009, (a) adequate procedures are established for assessing and auditing the collection of *abiana*; (b) financial analyses are undertaken to determine the cost of adequate operation and maintenance (O&M) at all levels of LBDC system management; and (c) clear and equitable cost sharing arrangements are established by PIPD so that FOs either (i) retain a share of *abiana* adequate to cover O&M costs, or (ii) receive adequate funds from the provincial budget to sustain O&M costs until *abiana* is adjusted to cover these costs.

18. Punjab shall develop and agree with ADB, prior to submission of the next periodic financing request, a time bound action plan for changing the LBDC management to a decentralized AWB management structure with farmer representation. Punjab shall implement the agreed action plan during the remaining Project implementation period.

#### Good Governance and Anticorruption

19. Punjab shall cause DOFWM, PIDA, and PIPD to ensure that ADB's Anticorruption Policy is followed throughout Project implementation, it being understood that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project. Punjab shall ensure that (a) relevant provisions of ADB's Anticorruption Policy are included in all bidding documents for the Project; and (b) all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of DOFWM, FOs, PIDA, PIPD, PMO Barrages, and all contractors, suppliers, consultants and other service providers as they relate to the Project; and (c) an external audit of procurement activities is carried out at least twice during the Project implementation.

20. Punjab shall cause PIPD to establish a website that will 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.

#### Land Acquisition and Resettlement

21. Without limiting the generality of Schedule 5 to the FFA, Punjab shall ensure that all land acquisition and resettlement activities under the Project are implemented in accordance with applicable laws and regulations of the Borrower, the ADB's *Policy on Involuntary Resettlement (1995)*, the RF, including updates thereto agreed with ADB, and the Resettlements Plan (RPs) as discussed below.

22. Punjab shall update the RPs prepared for (a) the 15-L distributary canal subproject, and (b) the Sahiwal Town main canal subproject upon completion of detailed design. The updated RPs shall be disclosed to affected people. No contract for Works shall be awarded under the subproject until ADB has approved the updated RP for the subproject.

23. In addition, Punjab shall prepare RPs based on the RF for (a) the main canal subproject that will be based on three contract packages, (b) the Balloki Barrage Complex, and (c) the remaining distribution network based on three large contract packages with multiple subprojects and two contract packages, each for 15-L and Jandraka distributary canals. Punjab shall ensure that each of these RPs (i) is based upon detailed design and detailed measurement survey of the subproject; (ii) includes complete information on full census, final asset inventory and valuation, and final budget; (iii) is made available to the affected people in a draft and final forms, including information on measurement of losses, detailed asset valuation, entitlements and special provisions, grievance procedures, timing for payment and displacement schedule; and (iv) is submitted to review and approval by ADB. No notice to proceed shall be given to a contractor for Works with regard to any section or part of the subproject until ADB has approved the respective RP. Punjab shall ensure that all contracts for Works and consulting services under the Project contain provisions requiring compliance with these requirements.

24. Punjab shall ensure that, throughout the Project implementation period, sufficient funds are made available, as necessary, for the efficient and timely implementation of activities specified in the RPs. Punjab shall ensure that (a) entitlements specified in the RP are provided to the affected people prior to their relocation and/or loss of land and assets, and (b) a grievance redress committee for the Project is established within nine (9) months of the Effective Date.

25. Punjab shall ensure that (a) within nine (9) months of the Effective Date, an external agency or an NGO acceptable to ADB is engaged to conduct external monitoring and evaluation of the resettlement process and impacts, and (b) external monitoring and evaluation reports are provided to ADB on a semiannual basis.

#### Environmental Issues

26. Without limiting the generality of Schedule 5 to the FFA, Punjab shall ensure that (a) each subproject is carried out in accordance with the Borrower's environmental laws and regulations, the ADB's *Environment Policy (2002)*, and the environmental impact assessment, including the environmental management plan (EMP), prepared for the Project

by the Borrower in accordance with its laws and agreed with ADB; (b) all mitigation and monitoring measures identified in EMP are incorporated into detailed design of the subprojects and implemented during the construction and operation of the Project facilities; and (c) all contracts for Works and consulting services under the subprojects contain provisions requiring compliance with these requirements.

#### Social Issues

27. Punjab shall ensure that all contractors for Works (i) comply with all applicable labor laws, (ii) use their best efforts to employ women and local people living in the vicinity of the subprojects, (iii) disseminate information at worksites on the risks of sexually transmitted diseases and HIV/AIDS for those employed during construction, (iv) do not differentiate between men and women's wages or benefits for work of equal value, and (v) do not employ child labor.

#### Auditing and Monitoring

28. 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 FOs accounts and financial statements in accordance with paragraph 14(c) above, (b) the external monitoring of the FO program in accordance with paragraph 14(d) above, (c) the external performance audit in accordance with paragraph 19(c) above, and (d) the external monitoring and evaluation of resettlement activities in accordance with paragraph 25 above, provided that the auditors and external monitors have qualifications, expertise, and terms of reference acceptable to ADB, and are selected in accordance with the procedures acceptable to ADB.

#### Project Performance Monitoring

29. Punjab shall cause the PMU to establish, within six (6) months of the Effective Date, a project performance management system (PPMS) and a database of key benchmark indicators in consultation with PIPD, PIDA, DOFWM, FOs and other water user organizations concerned.

#### Review and Reporting

30. During the first three (3) years of the Project implementation, Punjab and ADB shall undertake semiannual reviews to assess and evaluate the scope, implementation arrangements, benefit monitoring, and implementation progress towards achieving the Project outcome and outputs, and identify problems and recommend remedial measures. Before the end of the third year of the Project implementation, Punjab and ADB shall undertake a comprehensive mid-term review (MTR). The MTR shall cover the entire Project performance, and determine whether any adjustments need to be made in scope and implementation arrangements to address any outstanding issues. The terms of reference of the MTR shall be agreed between ADB and PIPD. Prior to each review, Punjab shall submit to ADB a detailed progress report.

31. Without limiting the generality of Section 2.08 of this Project Agreement, Punjab shall ensure that (a) each quarterly progress report is submitted to ADB not later than one (1) month after the end of the quarter to which it relates, and (b) a subproject completion report is submitted not later than three (3) months after physical completion of the subproject.