
LOAN NUMBER 2485-PAK

PROGRAM AGREEMENT

(Punjab Millennium Development Goals Program – Subprogram 1)

between

ASIAN DEVELOPMENT BANK

and

PROVINCE OF PUNJAB

DATED 17 DECEMBER 2008

PAL: PAK 41641

PROGRAM AGREEMENT

PROGRAM AGREEMENT dated 17 December 2008 between ASIAN DEVELOPMENT BANK (hereinafter called "ADB") and the 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, ADB has agreed to make to the Borrower a loan of sixty-three million seven hundred thirty thousand Special Drawing Rights (SDR 63,730,000) on the terms and conditions set forth in such Loan Agreement, but only on condition that the Rupee proceeds generated from the Loan be made available to Punjab and that Punjab agrees to undertake certain obligations towards ADB as hereinafter set forth; and

(B) Punjab, in consideration of ADB entering into the Loan Agreement 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. Wherever used in this Program 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.

ARTICLE II

Particular Covenants

Section 2.01. (a) Punjab shall carry out the Program with due diligence and efficiency, and in conformity with sound administrative, financial, environmental, and health sector practices.

(b) In the carrying out of the Program and operation of the Program facilities, Punjab shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to Punjab.

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

Section 2.03. In the carrying out of the Program, Punjab shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

Section 2.04. Punjab shall maintain, or cause to be maintained, records and accounts adequate to identify the Rupees 3,500,000,000 in Counterpart Funds to finance conditional grants to DGs as specified in paragraphs 5, 6 and 9 of the Schedule to this Program Agreement, and to disclose the use thereof under the Program.

Section 2.05. (a) ADB and Punjab shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) Punjab shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Program, the performance of its obligations under this Program 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 Program and the Loan.

Section 2.06. (a) Punjab shall furnish to ADB all such reports and information as ADB shall reasonably request concerning: (i) the Counterpart Funds and the use thereof; (ii) the Program; (iii) the administration, operations and financial condition of Punjab to the extent relevant to the Program; and (iv) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, Punjab shall furnish to ADB and the Borrower an annual report on its budget performance not later than six months after the conclusion of each Financial Year and quarterly and annual reports on the implementation of the Program during the Program period. 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 period under review, steps taken or proposed to be taken to remedy these problems and proposed program of activities and expected progress during the following period.

(c) Promptly after the completion of the Program, 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 implementation of the Program, including its cost, the performance by Punjab of its obligations under this Program Agreement and the accomplishment of the purposes of the Loan.

Section 2.07. Punjab shall enable ADB's representatives to inspect the Program facilities and relevant records and documents relating to the Program, including

the application of Counterpart Funds as specified in paragraph 9 of the Schedule to this Program Agreement.

Section 2.08. (a) Punjab shall, promptly as required, take all action within its powers to implement and carry out the Program.

(b) Punjab shall at all times conduct its business in accordance with sound administrative, financial, environmental and health sector practices.

Section 2.09. Except as ADB may otherwise agree, Punjab shall apply the proceeds of the Loan to the financing of expenditures on the Program in accordance with the provisions of the Loan Agreement and this Program Agreement, and shall ensure that all expenditures financed out of such proceeds are used exclusively in the carrying out of the Program.

ARTICLE III

Effective Date; Termination

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

Section 3.02. All the provisions of this Program 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 Program Agreement and any agreement between the parties contemplated by this Program 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:

(63-2) 636-2444
(63-2) 636-2424

For Punjab

Chairman
Planning and Development Board
Government of the Punjab
Civil Secretariat
Lahore, Pakistan
Facsimile Numbers:

(92-42) 921-2632
(92-42) 921-0182

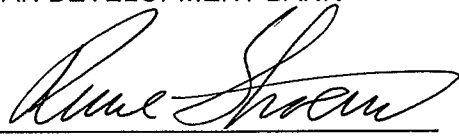
Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Program Agreement by or on behalf of Punjab may be taken or executed by its Governor or by such other person or persons as the Governor shall so designate in writing notified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

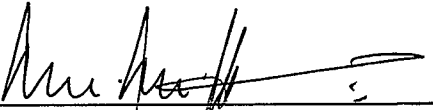
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Program Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

ASIAN DEVELOPMENT BANK

By 

RUNE STROEM
Country Director
Pakistan Resident Mission

PROVINCE OF PUNJAB

By 

ANWAR AHMAD KHAN
Authorized Representative

SCHEDULE

Program Implementation and Other Matters

Program Management

1. Punjab shall appoint HD as the Program Executing Agency to be responsible for the overall implementation of the Program, including coordinating the implementation of policy actions by various departments, Program administration, disbursements, and maintenance of Program records.
2. A Steering Committee, chaired by the Chairman, Planning and Development Board and comprising the Secretary of Health, Secretary of Finance, Secretary of the Local Government and Community Development Department, representatives of the health care providers and the Program Director who will serve as the Secretary of the Steering Committee, shall oversee policy decisions and overall Program implementation. The Steering Committee shall meet at least once every six (6) months. A working group shall be established for developing a pro-poor health care financing and provider payment system. The Program Management Unit, which has been established for the Health Sector Reform Program, shall be responsible for daily coordination and management of Program activities.

Policy Reforms

3. Punjab shall ensure that (a) the objectives achieved, policies adopted, and actions taken prior to the date of the Loan Agreement, as set forth in the development policy letter, will continue to be in full force and effect for the duration of the Program Cluster and subsequently; and (b) once achieved, adopted, complied with and implemented, the objectives, policies and actions set forth in the Policy Letter will continue to be in full force and effect during and subsequent to the Program Cluster period.

Primary and Secondary Health Services

4. Punjab shall ensure that primary and secondary health services continue to be the responsibility of DGs, and are integrated and operating as one coherent health services system.

Conditional Grants Mechanism

5. Punjab shall establish a mechanism for conditional grants ("CG") to finance DGs' implementation of MSDS and related activities as follows:
 - (i) The Program Steering Committee shall be the oversight body for the mechanism, and shall be responsible for approving the formula for allocating the CGs among the districts, based on the recommendation of the Conditional Grants Secretariat ("CG Secretariat") in ODGHS;

Schedule

- (ii) the CG Secretariat shall propose the CG indicators for receiving base allocations and performance-based allocations and the allocation formula, and determine the reporting obligations of the DGs. The CG Secretariat shall assess the eligibility of DGs to receive CGs, be responsible for monitoring financial and non-financial performance of DGs, make any necessary revisions to the CG structure, and provide guidance as necessary to the DGs;
- (iii) the Finance Department shall be responsible for allocating the CGs based on the formula to the DGs;
- (iv) CGs will be shown separately in the annual budget; and
- (v) the Finance Department and HD shall prepare and submit to ADB annual financial and activity monitoring reports of DGs' performance.

6. Punjab shall also ensure that: (i) each DG has to allocate at least 10% of its base CG allocation to capacity building; and (ii) CG allocations shall be in addition to Provincial Financial Commission (PFC) awards. Punjab shall ensure that the CGs are disbursed by the Finance Department to an eligible DG within one month from the date such DG becomes eligible.

Job Tenure

7. Punjab shall cause HD to ensure that the existing policy guidelines on transfers and tenure are adhered to in order to ensure appropriate job tenure and effective implementation of the Program.

Environmental Issues

8. Punjab shall ensure that the Program is carried out in accordance with the environmental rules and regulations applicable in Pakistan and ADB's *Environment Policy* (2002). Punjab shall also ensure implementation of any environmental monitoring and mitigation measures, including development and implementation of any service standards and operating procedures for disposal of hazardous and medical waste.

Counterpart Funds

9. Punjab shall ensure that the Counterpart Funds are used to meet the reform and other financing needs relating to the implementation of the Program, including allocation of Rupees 3.5 billion of such Counterpart Funds to finance conditional grants to DGs for the health sector.