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LOAN NUMBER 3305-PAK

PROJECT AGREEMENT  
(Sindh Provincial Road Improvement Project)

between

ASIAN DEVELOPMENT BANK

and

PROVINCE OF SINDH

DATED August 30, 2016

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PAK 46377

## PROJECT AGREEMENT

PROJECT AGREEMENT dated August 30, 2016 between ASIAN DEVELOPMENT BANK ("ADB") and the PROVINCE OF SINDH ("Sindh").

### WHEREAS

(A) by a Loan Agreement of even date herewith between the Islamic Republic of Pakistan ("Borrower") and ADB, ADB has agreed to make a loan to the Borrower of one hundred ninety-seven million eight hundred fifty thousand Dollars (\$197,850,000) 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 Sindh and that Sindh agrees to undertake certain obligations towards ADB set forth herein; and

(B) Sindh, 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. 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.

### ARTICLE II

#### Particular Covenants

Section 2.01. (a) Sindh shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

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

Section 2.02. Sindh shall make available, promptly as needed, the funds, facilities, services, 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, Sindh 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, Sindh 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. Sindh shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Sindh 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) Sindh 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, Sindh 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. Sindh 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) ADB and Sindh shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) Sindh 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 Sindh 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, Sindh and the Loan.

Section 2.08. (a) Sindh 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 Sindh; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, Sindh shall furnish to ADB periodic 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 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 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, Sindh 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 Sindh of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) Sindh shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements for the Project audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards on auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements and 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 fund(s) and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, certified copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) Sindh shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and its financial affairs where they relate to the Project with the auditors appointed by Sindh pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of Sindh, unless Sindh shall otherwise agree.

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

Section 2.11. (a) Sindh shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its operations.

(b) Sindh shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.

(c) Sindh 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, Sindh shall not sell, lease or otherwise dispose of any of its 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, Sindh 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.

Section 2.14. Except as ADB may otherwise agree, Sindh shall duly perform all its obligations under the Loan Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Loan Agreement.

Section 2.15. Sindh shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its Charter, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. Sindh shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

### 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 Sindh 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) 636-2340

For Sindh

Planning and Development Department  
Government of Sindh  
Sindh Secretariat  
Karachi, Pakistan

## Facsimile Number:

(92-51) 99211-922.

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 the Loan Agreement by or on behalf of Sindh may be taken or executed by Additional Chief Secretary (Development) or by such other person or persons as he or she shall so designate in writing notified to ADB.

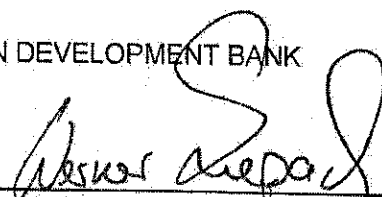
(b) Sindh shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

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

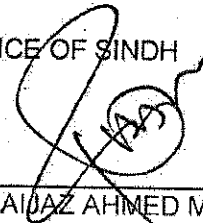


WERNER E. LIEPACH

Country Director  
Pakistan Resident Mission

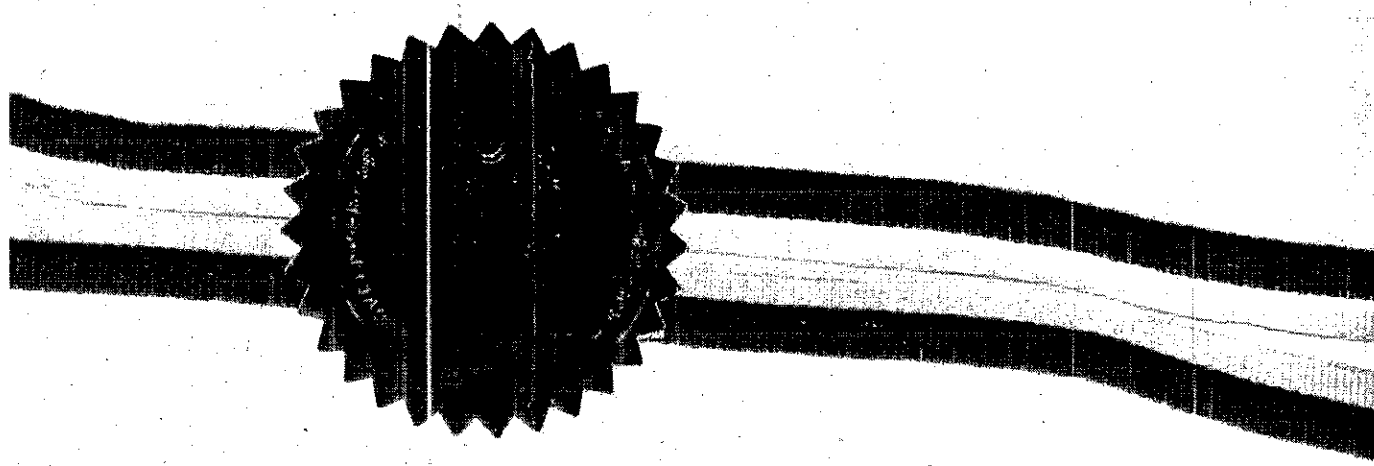
PROVINCE OF SINDH

By



AIJAZ AHMED MEMON

Secretary  
Works and Services Department  
Government of Sindh



**SCHEDULE 1****Execution of Project; Financial Matters**Implementation Arrangements

1. Sindh, through P&DD and WSD, shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower, Sindh and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. Sindh shall ensure that (a) critical Project staff remain in their position on a full-time basis for a reasonable duration to ensure continuity in the implementation of the Project and such appointment or replacement of critical staff shall be acceptable to ADB; (b) ADB's consent is sought and obtained prior to an appointment and/or replacement of a Project director; and (c) by December 2019, no less than 1,800 technical staff of WSD complete the training programs provided under the Project in project management, road planning and maintenance and road safety.

Counterpart Support

3. Sindh shall ensure that, throughout the Project implementation period, adequate budgetary allocations of the required counterpart funds are approved and released in a timely manner. Without limiting the generality of the foregoing, Sindh shall (a) at the end of each fiscal year, furnish the Borrower and ADB with a public investment plan for the succeeding fiscal year demonstrating availability of funds necessary for the Project, and (b) at the start of each semiannual fiscal period, deposit in a single installment the required counterpart funds for such semiannual fiscal period, including funds to cover the costs of taxes, duties or similar mandatory payments that accrue on Project expenditures, into the Project account.

Road Maintenance

4. Sindh shall ensure that (a) the annual budget allocation for the road maintenance is increased, as compared to the annual road maintenance budget for the Fiscal Year 2015/2016, by at least (i) 25% by Fiscal Year 2017/18, and (ii) 50% by Fiscal Year 2019/20; and (b) from Fiscal Year 2018/19 onwards, more than 70% of annual maintenance budget is allocated based on the outcome of RAMS. Sindh shall ensure that, by 31 December 2019, the Road Network Master Plan, including an operation and maintenance plan for sustainability of provincial roads, developed under the Project is approved.
5. Sindh shall, by 31 December 2019, approve the outsourcing of the operation and maintenance of at least two road sections rehabilitated under the Project to concessioner(s) through tolling arrangements. Sindh shall ensure appropriate toll rates and toll adjustment formula, a concession period of 5-10 years, and clear performance indicators for a concessioner.



6. Sindh shall ensure that at least \$100,000 equivalent is allocated in an annual budget for Fiscal Year 2019/20 for effective data collection and maintenance of RAMS after the completion of the Project.

#### Environment

7. Sindh 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 and Sindh relating to environment, health, and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEEs and EMPs, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Land Acquisition and Involuntary Resettlement

8. Sindh 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 and Sindh relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

9. Without limiting the application of the Involuntary Resettlement Safeguards and the RP, Sindh shall ensure that no physical or economic displacement takes place in connection with the Project until:

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

#### Human and Financial Resources to Implement Safeguards Requirements

10. Sindh shall make available necessary budgetary and human resources to fully implement the EMPs and the RP.

#### Safeguards – Related Provisions in Bidding Documents and Works Contracts

11. Sindh 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 IEEs, the EMPs and the RP (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 Borrower 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 IEEs, the EMPs and the RP;
- (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

12. Sindh shall:

- (a) submit semiannual 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 IEEs, the EMPs and the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMPs and the RP promptly after becoming aware of the breach.

#### Prohibited List of Investments

13. Sindh 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.

#### Labor Standards, Health and Safety

14. Sindh shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. Sindh shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with applicable labor law and regulations of the Borrower and Sindh and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

15. Sindh shall strictly monitor compliance with the requirements set forth in paragraph 14 above and provide ADB with regular reports.

#### Gender and Development

16. Sindh shall ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area consistent with ADB's Policy on Gender and Development (1998) are followed during implementation of the Project, including (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

#### Governance and Anticorruption

17. Sindh shall (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.

18. Sindh shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

19. Sindh shall establish, within 6 months from the Effective Date, a website for the Project to make key information about the Project available to the general public. The Project website will include the following information about the Project: (a) Project objective, scope, structure, responsible agencies; (b) status of Project targets; (c) procurement and consulting services information, including announcement of bidding processes, bidding procedures, list of participating bidders, names of winning bidders, basic details of the bidding procedures and procurement methods used; amount of contract awards and a description of the goods or services procured; and (d) the intended and actual use of the loan proceeds. The Project website will be updated regularly and its content will be presented in the English and major local languages.

#### Financial Management

20. Sindh shall ensure that, within 1 year of the Effective Date, WSD adopts a financial management manual, satisfactory to ADB, to strengthen WSD's internal control, quality and efficiency of financial function.