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Report No: RES24391

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING  
OF  
SINDH AGRICULTURAL GROWTH PROJECT  
{LOAN/CREDIT}

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

July 11, 2016

AGRICULTURE GLOBAL PRACTICE  
SOUTH ASIA REGION

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## ABBREVIATIONS AND ACRONYMS

EAD	Economic Affairs Division
FA	Framework Agreement
IDA	International Development Association
IP	Implementation Performance
PSC	Project Steering Committee
PSC	Project Steering Committee
SAGP	Sindh Agricultural Growth Project

Regional Vice President:	Annette Dixon
Country Director:	Patchamuthu Illangovan
Senior Global Practice Director:	Juergen Voegele
Practice Manager/Manager:	Martien Van Nieuwkoop
Task Team Leader:	Masood Ahmad and Tahira Syed

**PAKISTAN**  
**Sindh Agricultural Growth Project**

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## DATA SHEET

Pakistan

PK: Sindh Agricultural Growth Project (P128307)

SOUTH ASIA

Agriculture

Report No: RES24391

Basic Information									
Project ID:	P128307			Lending Instrument:	Investment Project Financing				
Regional Vice President:	Annette Dixon			Original EA Category:	Partial Assessment (B)				
Country Director:	Patchamuthu Illangovan			Current EA Category:	Partial Assessment (B)				
Senior Global Practice Director:	Juergen Voegele			Original Approval Date:	07-Jul-2014				
Practice Manager/Manager:	Martien Van Nieuwkoop			Current Closing Date:	30-Jun-2019				
Team Leader(s):	Tahira Syed, Khalid Bin Anjum								
Borrower:	Economic Affairs Division								
Responsible Agency:	Department of Agriculture, Sindh, Department of Livestock and Fisheries, Sindh								
Restructuring Type									
Form Type:	Short Form			Decision Authority:	CD Decision				
Restructuring Level:	Level 2								
Financing ( as of 27-Apr-2016 )									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P128307	IDA-54940	Effective	07-Jul-2014	25-Aug-2014	30-Oct-2014	30-Jun-2019	30-Jun-2019		
Disbursements (in Millions)									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P128307	IDA-54940	Effective	XDR	49.40	49.40	0.00	7.35	42.05	15

<b>Policy Waivers</b>		
Does the project depart from the CAS/CPF in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any policy waiver(s)?	Yes [ ]	No [ X ]
<b>A. Summary of Proposed Changes</b>		
<p>The Government of Sindh through Economic Affairs Division has sent the request to allow proceeds from IDA Credit 5494 to be used for Framework Agreement procurement method. The Bank team has assessed the requirement for this change and recommends approval for use of Framework Agreement method as necessary for successful project implementation.</p>		
<b>B. Project Status</b>		
<p>The project has made significant progress and all project committees and value chain focus groups are established and functioning well. The demand for equipment, implements and other inputs has increased with the proactive measures taken by Department of Agriculture. The conveners of the four value chain focus groups - chili, onion, dates and rice - have presented the farmers' demand at the Project Steering Committee which has been approved by the Government of Sindh. As a result, the project is now ready to implement Framework Agreement method to meet the farmers' demand in a systematic and consistent manner that is transparent and comply with the Bank's fiduciary policies.</p>		
<b>C. Proposed Changes</b>		
<p>This restructuring will allow the Government of Sindh to include the use of Framework Agreement procurement method as part of project implementation. To allow this change, the Financing Agreement of the project will be amended.</p>		

**PAKISTAN**  
**Sindh Agricultural Growth Project (P128307)**  
**SOUTH ASIA**  
**Agriculture**

**A. SUMMARY**

1. This restructuring seeks approval of the Country Director to allow amendment to the Financing Agreement for the Pakistan: Sindh Agricultural Growth Project (P128207) – IDA Credit No. 5494. The amendment will allow use of Framework Agreement as an acceptable procurement method for the implementation of the Project.

**B. PROJECT STATUS**

2. The Government of Sindh (GoSindh) has launched an extensive program for revitalizing the agriculture sector. The Sindh Agricultural Growth Project (SAGP) contributes to the GoSindh program in that it focuses on horticulture and dairy value chains namely, chilies (92 percent of national production), onions (33 percent), and dates (about 50 percent production), and milk value chain with particular outreach to small producers. Involvement of women in most harvesting and processing of agricultural produce, is an integral part of Project implementation.

3. The Project became effective in October 2014. The Project Development Objective (PDO) and Implementation Performance (IP) are currently rated as Moderately Satisfactory. This is partly due to the slow start of Project and reach out to Sindh’s farmers. The Project design includes 30 percent contribution from farmers for value chain component. The Project provides direct investment support to the farmers and producers groups for: (i) development of more effective and efficient farming systems; (ii) introduction of technology packages for increased productivity and value addition, and; (iii) improved market access. These services will be made available with a defined focus on how they reach the women in agriculture.

4. To date the Project has expanded its outreach to a total of 15,160 famers and producers. The Project has carried out: (i) technical trainings and demonstrations on good agricultural practices; (ii) each value chain focus group has appointed a convener who is part of the Project Steering Committee (PSC); (iii) commodity-specific plans have been prepared and approved by GoSindh; (iv) two batches of farming equipment and implements have been received by the farmers; and (v) detailed demand for each commodity has been identified for which procurement is underway.

5. Due to the use of limited procurement methods permitted under the Financing Agreement, a major challenge has been to identify exact quantities and timing of agriculture goods and implements that are financed on shared-costs basis with farmers contributing 30 percent and GoSindh 70 percent. The quantity, size and timeline of items vary due to the number of farmers requesting goods at any given time. For this purpose the GoSindh has requested to include Framework Agreement as an acceptable method of procurement.

## C. PROPOSED CHANGES

6. This restructuring will allow the Government of Sindh to include the use of Framework Agreement procurement method as part of project implementation. To allow this change, the Financing Agreement of the project will be amended. The draft amendment letter is enclosed in Annex 1.

### *Justification for Inclusion of Framework Agreement:*

7. During last supervision mission, the Bank task team, evaluated the need for introducing Framework Agreement as appropriate method of procurement. As per World Bank guidelines the Framework Agreement (FA) is a long-term agreement with suppliers, contractors and providers of non-consulting services which sets out terms and conditions under which specific procurements (call-offs) can be made throughout the term of the agreement. FAs are generally based on prices that are either pre-agreed, or determined at the call-off stage through competition or a process allowing their revision without further competition. FAs are permitted as an alternative to the Shopping and NCB methods for: (a) goods that can be procured off-the-shelf, or are of common use with standard specifications; (b) non-consulting services that are of a simple and non-complex nature and may be required from time to time by the same agency (or multiple agencies) of the Borrower; or (c) small value contracts for works under emergency operations.

8. Following discussions with the Bank task team lead, Government of Sindh approached the Economic Affairs Division (EAD), Government of Pakistan to amend Section III of Schedule 2 of the Financing Agreement in order to include the Framework Agreement method in the list of permitted methods of procurement of goods to be financed from the proceeds of the Credit, so that the Sindh Agricultural Growth Project can re-initiate the procurement process. This request is time sensitive as the season when those agricultural goods are required is almost approaching. The letter of request from Government of Sindh to EAD is enclosed in the approval package along with the EAD letter of request to the World Bank to amend the project's Financing Agreement to reflect this change.

## Annex 1

### Draft Amendment Letter

\_\_\_\_\_, 2016

Mr. Tariq Bajwa  
Secretary  
Economic Affairs Division  
Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization  
Islamic Republic of Pakistan  
Islamabad, Pakistan

**Re: ISLAMIC REPUBLIC OF PAKISTAN  
Sindh Agricultural Growth Project – Credit number 5494-PK  
Amendment no. 1 to the Financing Agreement**

Dear Mr. Bajwa:

We refer to the Financing Agreement (the “Agreement”) dated August 25, 2014, for the above-mentioned Project, between the Islamic Republic of Pakistan (the “Recipient”) and the International Development Association (the “Association”). We also refer to your letter dated June 15, 2016, requesting the addition of the procurement method described in the Procurement Guidelines as “Framework Agreement” as a permitted method of procurement for the Project. Capitalized terms used in this amendment letter and not otherwise defined herein have the meaning ascribed to them in the Agreement.

We are pleased to inform you that the Association accedes to your request and proposes to amend the Agreement as follows (the “Amendment No. 1”):

1. Section III.B.2 of Schedule 2 to the Agreement is deleted in its entirety and the following new Section III.B.2 is inserted in lieu thereof  
  
“2. **Other Methods of Procurement of Goods, Works, and Non-consulting Services.** The following methods other than International Competitive Bidding may be used for procurement of goods, works, and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule; (b) Shopping; (c) Direct Contracting; (d) Community Participation procedures which have been found acceptable to the Association; and (e) Framework Agreement.”



All other provisions of the Agreement except as amended herein, shall remain in full force and effect. Please confirm your agreement to the amendment by countersigning, dating and returning to us the enclosed copy of this letter, while keeping one original for your records. This amendment shall become effective on the date of its countersignature by the Recipient's authorized representative.

Very truly yours,

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Patchamuthu Illangovan  
Country Director, Pakistan

CONFIRMED AND AGREED:

ISLAMIC REPUBLIC OF PAKISTAN

By: \_\_\_\_\_  
Mr. Tariq Bajwa  
Secretary

Date: \_\_\_\_\_