

CREDIT NUMBER 5584 -PK

Project Agreement

(Sindh Public Sector Management Reform Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF SINDH

Dated March 11, 2015

PROJECT AGREEMENT

AGREEMENT dated **March 11**, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the PROVINCE OF SINDH ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I -- GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity's Representative is Additional Chief Secretary, Planning and Development Department of the Government of Sindh.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCD)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

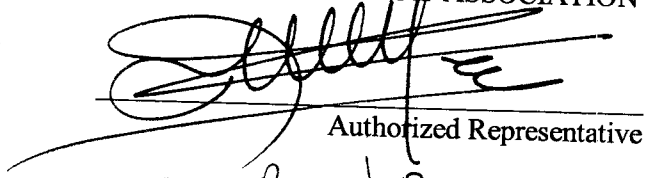
Planning and Development & Special
Initiatives Department
Tughlaq House
Sindh Secretariat No. 2
Karachi

Facsimile:
+92 (021) 99211922

AGREED at _____, as of the day and
year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

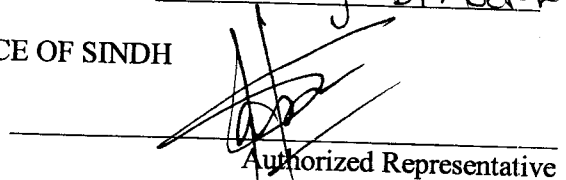

Authorized Representative

Name: Raaid Benmessaoud

Title: Country Director

PROVINCE OF SINDH

By


Authorized Representative

Name: Hassan Nagvi

Title: Special Secretary

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall vest the overall responsibility for the implementation of Project activities in the FD. To this end, the Project Implementing Entity shall:
 - (a) establish (notify) by not later than three (3) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, a Project Steering Committee, headed by the Additional Chief Secretary of the P&DD with the participation of representatives of the FD, SRB, SPPRA, E&TD, BOR and selected Government Departments, in order to periodically review, identify problems and corrective measures, provide policy guidance, and coordinate inter-departmental efforts, in the implementation of the Project. The Project Steering Committee shall meet at least twice every Fiscal Year;
 - (b) maintain throughout the period of implementation of the Project, the Economic Reform Unit in order to serve as Project management unit, which unit shall be provided with competent, experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Association (including market-based remunerations and/or incentives), and vested with powers, financial resources, functions and competences, acceptable to the Association, to serve as the focal unit in the carrying out of the day-to-day implementation of Project activities in the areas of procurement, financial management, monitoring and evaluation, and communications and stakeholders awareness, including coordination of activities with other participating or recipient agencies (i.e. SRB, SPPRA, P&DD, E&TD, BOR and selected Government Departments);
 - (c) notwithstanding the provision of paragraph (b) above, recruit/select and hire by no later than three (3) months after the Effective Date, a finance and accounting specialist to work within the Economic Reform Unit, which officer shall be responsible for preparing Project-level periodic financial reports; reviewing financial and non-financing reports extracted from the Project Implementing Entity's financial management information systems; managing Project disbursements, and coordinating with auditors the preparation of the Project's audited financial statements provided for in Section II.B.3 below; and

- (d) establish (notify) by not later than three (3) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, a Tax Reform Unit housed within the Financed Department, which unit shall be provided with competent, experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Association, in order to establish linkages with leading national and international academic institutions to promote evidence-based tax policy planning and administration. The Project Implementing Entity shall ensure that during the period of Project implementation the TRU shall conduct at least twenty high quality rigorous sector-based analytical reports on sales tax on services on topics pre-approved/agreed with the SRB and the FD, and shall prepare and published not less than three (3) such reports in any calendar year of Project implementation.

B. Project Documents

- 1. The Project Implementing Entity shall prepare and adopt an Operations Manual, in form and substance and by a date satisfactory to the Association, setting forth the institutional arrangements for implementation of the Project including: (i) DLIs/DLRs verification protocols; (ii) simplified procurement reporting arrangements, record keeping protocols and complaints redressal mechanisms consistent with the Consultants' Guidelines and Procurement Guidelines; and (ii) financial management procedures and protocols for the carrying out of internal audits, the preparation financial statements, and withdrawal, accounting of Credit funds and settlement of payments.
- 2. The Project Implementing Entity shall:
 - (a) implement the Project in accordance with the Operations Manual; provided however that in the event of conflict between the provisions of said manual, on the one hand, and those of this Agreement or the Financing Agreement, on the other hand, the provisions of the latter shall govern; and
 - (b) refrain from amending, suspending, waiving, and/or voiding any provision of the Operations Manual, whether in whole or in part, without the prior written agreement of the Association.

C. Plans and Strategies

- 1. The Project Implementing Entity shall:
 - (a) maintain/ensure, throughout the period of Project implementation, public disclosure, in the FD's website, of the Public Financial Management

Reform Strategy and, upon achievement of DLI # 1 set forth in Schedule 3 to the Financing Agreement, the Sindh Tax Revenue Mobilization Reform Plan; and

- (b) by not later than three (3) months after the end of each Fiscal Year, commencing on FY2014/15: (i) prepare comprehensive annual progress reports on the implementation of the Public Financial Management Reform Strategy and the Sindh Tax Revenue Mobilization Reform Plan during such Fiscal Year, in a manner and substance satisfactory to the Association; and (ii) publicly disclose such reports in the FD website.

2. The Project Implementing entity shall:

- (a) cause SPPRA to prepare, by not later than six (6) months after the Effective Date, and thereafter carry out, a costed multi-year reform plan covering the adoption and implementation of e-procurement, and the establishment and operation of a management information system, all in a manner and substance satisfactory to the Association; and
- (b) ensure that SPPRA receives on an annual basis, adequate allocations of financial resources for current and development expenditures, in a manner and substance satisfactory to the Association, so as to guarantee SPPRA's successful implementation of the foregoing reform plan.

3. The Project Implementing entity shall:

- (a) cause the monitoring and evaluation cell of the P&DD to prepare, by not later than six (6) months after the Effective Date, and thereafter carry out a costed multi-year reform plan for the management of a dashboard for investment interventions, including ICT-based field inspections, and proactive beneficiary feedback, all in a manner and substance satisfactory to the Association; and
- (b) ensure that the monitoring and evaluation cell of the P&DD receives on an annual basis, adequate allocations of financial resources for current and development expenditures in a manner and substance satisfactory to the Association so as to guarantee the successful implementation of the foregoing investment dashboard.

D. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Participation Agreement

1. For purposes of implementing the activities under sub-Components 1.1, 2.1(a)(ii), 2.1(a)(iii), 2.1(a)(iv) & 2.1(a)(vii) , the Project Implementing Entity shall:
 - (a) enter into a Participation Agreement with the Sindh Revenue Board prior to implementing any activities under such sub-Components, under terms and conditions acceptable to the Association, detailing the responsibilities of SRB in the financing and implementation of the activities under said sub-Components, including *inter alia*: (i) SRB's compliance with the Procurement Guidelines, the Consultant Guidelines, the Anti-Corruption Guidelines, the Operations Manual, and financial management standards and reporting/audit requirements set forth in Section II of this Schedule; and (ii) all necessary arrangements for the timely documentation of achievement of DLRs; and
 - (b) refrain, and/or cause the SRB to refrain, from amending, suspending, waiving, and/or voiding any provision of the Participation Agreement, whether in whole or in part, without the agreement of the Association.
2. The Project Implementing Entity shall ensure that, unless the Association otherwise agree in writing, the SRB shall receive an annual allocation of resources for its current and development expenditures (in addition to any funds provided by the Association under Component 2 of this Project) of at least:
 - (a) One billion Pakistani Rupees (PKR 1,000,000,000) for Fiscal Year 2014/15.
 - (b) One billion one hundred million Pakistani Rupees (PKR 1,100,000,000) for Fiscal Year 2015/16;
 - (c) One billion two hundred million Pakistani Rupees (PKR 1,200,000,000) for Fiscal Year 2016/17;
 - (d) One billion four hundred million Pakistani Rupees (PKR 1,400,000,000) for Fiscal Year 2017/18; and
 - (e) One billion five hundred million Pakistani Rupees (PKR 1,500,000,000) for Fiscal Year 2018/19.
3. The Project Implementing Entity shall timely release to the SRB the funds allocated pursuant to paragraph 2 above.

4. The Project Implementing Entity shall cause the SRB to establish, by no later than two (2) years after the Effective Date, and thereafter maintain throughout the period of Project implementation, an integrity managements system with mandate and terms of reference acceptable to the Association; which system shall contemplate adequate capacity for the carrying out of tax litigation, as well as an independent tax appeal mechanism comprised of a tax appellate tribunal and alternative dispute resolution procedures.

F. Third Party Audit/Verifications.

1. For purposes of DLI: #2, #3, #7, and #8 set forth in Schedule 3 to the Financing Agreement, the Project Implementing Entity shall ensure that the terms of reference for the consultants to be hired by the Project Implementing Entity for purposes of carrying out the third party verification, audit, validation or analysis required under the respective DLRs, shall have been agreed with the Association irrespective of the source of funding of such consultancies.
2. The Project Implementing Entity shall share with the Association, by not later than fifteen (15) days after their conclusion, any reports prepared pursuant to the consultancy contracts referred to in paragraph F.1 above.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of six (6) month, and shall be furnished to the Recipient and the Association not later forty five (45) days after the end of the period covered by such report.
2. The Project Implementing Entity shall: (a) prepare the Project execution/completion report referred to in Section 4.08(c) of the General Conditions; and (b) furnish it to the Recipient and the Association not late than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the respective semester, in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

1. All goods and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.
2. The Project Implementing Entity shall ensure that the FD and SRB establish by not later than three months after the Effective Date, and thereafter maintain throughout the period of Project implementation:
 - (a) a procurement documentation and record keeping system, including a publicly accessible website, in a format agreed with the Association, showing, inter alia, the Project procurement plans, complete bidding documents, the status of procurement of various contracts (the summary of proposals/bid evaluations and awards), contract performance and payment delays, and a list of procurement complaints and status thereof; and
 - (b) a system for the handling of procurement complaints, in a manner and substance acceptable to the Association, which system shall include, inter alia, the maintenance of a complaint database, a standard protocol setting forth triggers for carrying out investigations, and a sanctions regime. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the Association's prescribed complaint redress mechanism shall apply.