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OFFICIAL DOCUMENTS

CREDIT NUMBER 5888-PK

Project Agreement

(Sindh Resilience Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF SINDH

Dated

August 31, 2016

PROJECT AGREEMENT

Agreement dated August 31 2016, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and 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 years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity's Representative is its Additional Chief Secretary (Development).

4.02. The Association's Address is:

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

Telex:	Facsimile:
248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Planning and Development Department
Government of Sindh
Tughlaq House
Karachi, Pakistan

Cable:	Facsimile:
DEVELOPMENT Karachi Pakistan	92-21-9211922

AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

INTERNATIONALDEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: _____

Title: _____

PROVINCE OF SINDH

By



Authorized Representative

Name: Shahen Shah.

Title: _____

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

The Project Implementing Entity shall maintain the following implementation arrangement throughout the implementation of the Project.

A. Institutional Arrangements.

1. *Project Implementing Agencies for Components 1 and 2 of the Project.*

- (a) Under the overall coordination of its Planning and Development Department, the Project Implementing Entity shall implement the Project through: (i) PDMA Sindh which shall be responsible for the implementation of Component 1 of the Project; and (ii) SID which shall be responsible for the implementation of Component 2 of the Project.
- (b) Without limitation to the provisions of sub-paragraph (a) immediately above, responsibility for the implementation of its respective Component of the Project shall include, *inter alia*, reporting, monitoring and evaluation, social and environmental management, procurement, financial management, audit and disbursements.
- (c) Without limitation to the provisions of sub-paragraph (a) immediately above, each of PDMA Sindh and SID shall at all times be under the direction of qualified management provided with sufficient resources and staffed with competent personnel in adequate numbers, in each case with qualifications and experience acceptable to the Association. In addition to the Project Implementing Agencies current staff, the Project Implementing Entity shall recruit and maintain, each with terms of reference, qualification and experience acceptable to the Association:
 - (i) for PDMA Sindh: no later than three (3) months after the Effective Date, a financial management specialist, and a dedicated procurement and contract administration specialist; and
 - (ii) for SID: no later than three (3) months after the Effective Date, a financial management specialist, a dedicated procurement and contract administration specialist and an internal auditor.

2. *Project personnel.*

- (a) The Project Implementing Entity shall ensure that:

- (i) staff working for the Project are at all times selected or recruited on the basis of terms of reference, qualifications and experience satisfactory to the Association;
- (ii) full financial and administrative authority is delegated to the Project Director of each Project Implementing Agency for the implementation of its respective Project Component;
- (iii) the Project Director in each Project Implementing Agency is working full time as Director for the Project; and
- (iv)
 - (A) the performances of the Project Director and other key management, fiduciary and technical staff members/consultants of each Project Implementing Agency,
 - (B) the timely carrying out of the respective contribution of the Project Director and other key management, fiduciary and technical staff members/consultants of each Project Implementing Agency to Annual Work Plans and Budgets, and
 - (C) the review of the activities undertaken for the implementation of the Annual Work Plans and Budgets,

will be assessed by the Project Implementing Entity, in conjunction with the Recipient and the Association on a six-monthly basis, unless otherwise agreed between the Project Implementing Entity, the Recipient and the Association.

- (b) Without limitation to the generality of the provisions of Section 4.03 of the General Conditions, before deciding to replace any key management, fiduciary or technical staff member or consultant of each Project Implementing Agency, including without limitation the Director, the Financial Management Specialist, the Procurement Specialist, the Environmental and Social Specialist and the Monitoring and Evaluation Specialist, the Project Implementing Entity shall exchange views with the Association and the Recipient on: (a) the performance of such staff member; (b) the justification for such replacement; (c) the potential adverse impact of such replacement on the satisfactory implementation of the Project and the achievement of its objective, and (d) proposed mitigation measures of such impact on the Project.

B. *Anti-Corruption*

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

C. Project Operations Manual

1. The Project Operations Manual shall set forth:
 - (a) (i) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (ii) the detailed institutional arrangements in respect thereto, including allocation of responsibilities, required staff and minimum qualifications thereof;
 - (b) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of funds) procedures for the Project; which procedures shall be consistent with those of the Financing Agreement and the Association's instructions thereunder, as well as the requirements of the Subsidiary Agreement and the Project Agreement;
 - (c) (i) the procedural steps for the update of the Procurement Plan; and (ii) an outline of the mechanism for the settlement of procurement complaints and the disclosure of critical procurement information (website maintenance);
 - (d) the guidelines for training and capacity building activities under the Project; and the plan for monitoring and supervision of Project activities, including all technical environmental and social aspects in relation thereto.
2. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the Project Operations Manual or any provision thereof, or permitting the Project Implementing Entity or other any other entity participating in the implementation of the Project to do so.
3. The Project Implementing Entity shall obtain the Association written agreement prior to assigning, amending, abrogating, or waiving the Project Operations Manual, or any provision thereof.
4. In the event of any conflict between the provisions of the Project Operations Manual and those of the Financing Agreement or the Project Agreement, the provisions of the Financing Agreement or the Project Agreement shall prevail, in that order.

D. Counterpart Funds and Annual Work Plans and Budgets

1. The Project Implementing Entity shall provide counterpart funds ("Counterpart Funds") in an amount equivalent to not less than USD 20,000,000 for the financing of the Project. The Counterpart Funds shall be primarily allocated to

the financing of salaries of the officials and member of the Project Implementing Entity's public service working on the Project, operation and maintenance of the infrastructure assets, acquisition of land and cost of resettlement and other activities carried out to comply with the provisions of the Safeguard Documents. The allocation of Counterpart Funds and the Credit for the financing of Project activities shall be specified in the Annual Work Plans and Budgets.

2. Each year of Project implementation, the Project Implementing Entity shall prepare:
 - (a) a draft annual work plan and budget for the Project (including Training and Incremental Operating Costs) for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested. Such draft annual work plan and budget shall include all Project activities financed from the funds of the Credit as well as those financed from Counterpart Funds; and
 - (b) the evidence, in form and substance satisfactory to the Association, that all Safeguard Documents required prior to the implementation of the activities, if any, included in the draft annual work plan and budget have been prepared or are in the process of being prepared so as to be available in form and substance acceptable to the Association and disclosed in accordance with the Association Policies before approval by the Association of the bidding documents for each activity.
3. The Project Implementing Entity shall furnish to the Association, as soon as available, but in any case not later than January 31st of each year, the annual work plans and budgets and the evidences referred to in subparagraph 1(b) above, for the Association's review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation, and the evidence which may be required for the implementation of the activities included in the draft annual work plan and budget for such period which shall be furnished no later than one (1) month after the Effective Date. Only the activities included in an annual work plan and budget expressly approved by the Association (each an "Annual Work Plan and Budget") are eligible to a financing from the proceeds of the Financing.
4. The Project Implementing Entity shall ensure that training shall be carried out on the basis of Annual Work Plans and Budgets, which shall, *inter alia*, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.

5. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.
6. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior approval.

E. Safeguards.

1. The Project Implementing Entity shall ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Association Policies, as well as the Recipient's and the Project Implementing Entity's own laws relating to the environment and social aspects.
2. (a) The Project Implementing Entity shall ensure that the Project is implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents.
(b) Without limitation to the generality of sub-paragraph (a) immediately above, the Project Implementing Entity shall ensure that:
 - (i) for each activity under the Project of a type for which the Social Management Framework provides that a Social Management Plan should be prepared, such Social Management Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Social Management Framework, and the relevant activity is implemented in accordance with its Social Management Plan;
 - (ii) for each activity under the Project of a type for which the Resettlement Policy Framework provides that a Resettlement Action Plan should be prepared, such Resettlement Action Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement Policy Framework, and the relevant activity is implemented in accordance with its Resettlement Action Plan;
 - (iii) without limitation to the generality of the foregoing provisions in subparagraph (ii) immediately above, the Project Implementing Entity shall ensure that prior to commencing any works under the Project: (a) all necessary governmental permits and clearances for such civil works shall have been obtained from the

competent governmental authority/ies; (b) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and (c) all resettlement measures for the respective civil works set forth in the applicable Resettlement Action Plan shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the Resettlement Policy Framework and/or the applicable Resettlement Action Plan; and

- (iv) the Project implementing Entity shall ensure that if the activities for the enhancement of the operational facilities under Subcomponent 1.2 include civil works, such civil works shall be limited to Eligible Civil Works only.
 - (c) Without limitation to the generality of sub-paragraph (a) immediately above, the Project Implementing Entity shall ensure that each contract for civil works under the Project includes the obligation of the relevant contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.
3. The Project Implementing Entity shall ensure that the following expenditures for the Project are financed exclusively out of the Recipient's or the Project Implementing Entity's own resources, and, to this end, shall provide or obtain from the Recipient to provide, as promptly as needed, the resources required therefor, namely:
- (a) all land acquisition required for the purpose of the Project, if any; and
 - (b) any compensation, resettlement and rehabilitation payment to Displaced Persons in accordance with the provision of the Resettlement Action Plans.
4. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Project Implementing Entity shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any other entity participating in the implementation of the Project to do so.
5. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall, regularly collect, compile and submit to the Association and the Recipient, on a quarterly basis, reports on the status of compliance with the Safeguard Documents, giving details of: (a) measures taken

in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.

6. The Project Implementing Entity shall strengthen, maintain and operate throughout the period of Project implementation, a safeguard grievance redress mechanism (the "GRM") for the handling of any stakeholder safeguard related complaints arising out of the implementation of the Project activities. The operation and procedures of the GRM shall be subject to guidelines agreed between the Project Implementing Entity, the Recipient and the Association.
7. In the event that any provision of the Safeguard Documents shall conflict with any provision of the Financing Agreement or this Agreement, the terms of the Financing Agreement and this Agreement shall prevail, in that order of priority.

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 the indicators set forth in the Project Operations Manual. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later one (1) month after the end of the period covered by such report for incorporation in and forwarding by the Recipient to the Association of the overall Project Report.
2. The Project Implementing Entity shall provide to the Recipient not later than six (6) months prior to the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Project In-Depth and Midterm Reviews

The Project Implementing Entity shall:

- (a) participate in the reviews referred to in Section II.B of Schedule 2 to the Financing Agreement;
- (b) to this end, prepare and furnish to the Recipient and the Association, not later than one (1) month before such review, a report, in scope and detail satisfactory to the Association and integrating the results of the monitoring and evaluation activities performed pursuant to Part A.1 of

this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

- (c) review jointly with the Recipient and the Association the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Recipient's and the Association's views on the matter.

C. 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, 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 (six-month period), interim unaudited financial reports for the Project covering the six-month period, in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to in paragraph 1 of this Part C 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 (1) 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

All goods, works 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.