

Public Disclosure Authorized

OFFICIAL DOCUMENTS

CREDIT NUMBER 5888-PK

Financing Agreement

(Sindh Resilience Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *August 31*, 2016

CREDIT NUMBER 5888-PK

FINANCING AGREEMENT

AGREEMENT dated August 31, 2016, entered into between ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — CREDIT

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount of one hundred million Dollars (\$100,000,000) ("Credit"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Credit in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Recipient shall be equal to one quarter of one percent ($\frac{1}{4}$ of 1%) of the Credit amount.
- 2.04. The Commitment Charge payable by the Recipient shall be one-quarter of one percent ($\frac{1}{4}$ of 1%) per annum on the Unwithdrawn Credit Balance.
- 2.05. The Interest Charge payable by the Recipient for each Interest Period shall be at a rate equal to the Reference Rate for the Credit Currency plus the Variable Spread; provided, however, that the Interest Charge payable shall in no event be less than *three quarters of one percent ($\frac{3}{4}$ of 1%) per annum.*
- 2.06. The Payment Dates are January 15 and July 15 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Project Implementing Entity has adopted the Project Operations Manual.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Economic Affairs Division of the Ministry of Finance, Economic Affairs, Revenue, Statistics and Privatization, each such person acting individually.

5.02. The Recipient's Address is:

Economic Affairs Division
Ministry of Finance, Economic Affairs, Revenue,
Statistics and Privatization
Islamabad
Pakistan

Facsimile: 92-51-921-8976

5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex:

Facsimile:

248423 (MCI)

1-202-477-6391

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

ISLAMIC REPUBLIC OF PAKISTAN

By



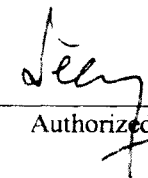
Authorized Representative

Name: _____

Title: _____

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: _____

Title: _____

SCHEDULE 1

Project Description

The objectives of the Project are to mitigate flood and drought risks in selected areas and to strengthen Sindh's capacity to manage natural disasters.

The Project consists of the following parts:

Component 1 - Strengthening Disaster and Climate Risk Management

Subcomponent 1.1. Improving risk identification and using risk information for development decision-making, through the identification of disaster and climate risk environment, the development of framework to undertake the assessments, and tools for the optimal utilization of risk information.

Subcomponent 1.2. Strengthening disaster risk management agencies through the development of their institutional set up and operational capacities, including enhancement of the operational facilities and construction of office buildings, training programs, and regular drills, at the provincial and district levels; establishment of an integrated rescue and response systems with other agencies, and improvement of systems for generating and disseminating early warnings; and enhancement of capacity to implement community based disaster risk management interventions, including specific interventions related to women (such as awareness raising, disaster risk management training and targeted women-friendly health and sanitation services in the aftermath of a disaster), as well as ex-ante development of a recovery framework.

Subcomponent 1.3. Enhancing fiscal resilience through: the carrying out of a fiscal disaster risk assessment for Sindh; the provision of support for the development of a disaster risk financing strategy; the development of standard operating procedures, safeguards and controls for the Sindh Provincial Disaster Management Fund; and the carrying out of activities with the private sector to explore innovative risk finance instruments.

Subcomponent 1.4. Project Implementation Support to PDMA.

Component 2 - Improving Infrastructure and Systems for Resilience

Subcomponent 2.1. Carrying out flood protection works including Eligible Structural Investments for the reconstruction, restoration, improvement, and up-gradation of flood embankments.

Subcomponent 2.2. Construction of Eligible Small Recharge Dams to address drought and flash flooding.

Subcomponent 2.3. Technical assistance to Sindh Irrigation Department for implementation of non-structural measures to enhance flood management and drought mitigation and its related equipment upgrades and studies including the establishment of a decision support system, improvement of capacity for safety evaluation of flood embankments, river morphology studies, and floodplain mapping.

Subcomponent 2.4. Project implementation support to SID.

Component 3. Contingent Emergency Response.

Providing immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under the same terms and conditions under which they are made available by the Association to the Recipient and in accordance with the Recipient's on-lending and budgetary policies and procedures.
2. Notwithstanding the provisions of the preceding paragraph, in the event of a conflict between the on-lending and budgetary policies and procedures of the Recipient and the provisions of this Agreement, including such additional instructions as the Association shall have specified by notice to the Recipient pursuant to Section IV.A.1 of this Schedule, the provisions of this Agreement, including said additional instructions, shall govern.
3. The Recipient shall exercise its rights under the on-lending arrangements referred to in paragraph 1 of this Part A in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive its rights or obligations under said arrangements.

B. Anti-Corruption

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

C. Contingent Emergency Response

1. In order to ensure the proper implementation of Component 3 of the Project (Contingent Emergency Response) ("CER Component"), the Recipient shall take the following measures:
 - (a) prepare (or cause to be prepared) and furnish to the Association for its review and approval, an operations manual (the "CER Operations Manual") which shall set forth detailed implementation arrangements for the CER Component, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the CER Component (the "Coordinating Authority"); (ii) specific activities which may be included in the CER Component, eligible expenditures required therefor ("Emergency

- Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the CER Component; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CER Component; (v) documentation required for withdrawals of funds for the financing of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the CER Component, consistent with the Association’s policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the CER Component;
- (b) afford the Association a reasonable opportunity to review said proposed CER Operations Manual;
 - (c) promptly adopt the CER Operations Manual for the CER Component as shall have been approved by the Association;
 - (d) ensure that the CER Component is carried out in accordance with the CER Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the CER Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
 - (e) refrain from amending, suspending, abrogating, repealing or waiving any provision of the CER Operations Manual without prior approval by the Association.
2. The Recipient shall, throughout the implementation of the CER Component, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities under the CER Component (and no activities shall be included in the CER Component) until the following conditions have been met in respect of said activities:
- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CER Component in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
 - (b) the Recipient has prepared (or caused to be prepared) and disclosed all safeguards instruments required for said activities, in accordance with the CER Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments and the Association’s Policies.

D. Safeguards.

1. The Recipient shall ensure, and cause the Project Implementing Entity to ensure, that:
 - (a) 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 relevant to the Project; and
 - (b) without limitation to the generality of the foregoing provision of Section I.D.1(a) immediately above, all contracts for the employment of the following consultants for the Project are entered into on the basis of the terms of references included as Annex A to the Environmental and Social Management Framework: (i) environment specialist; (ii) gender specialist; (iii) ecological specialist; (iv) social and resettlement specialist.
2. The Recipient shall ensure, and cause the Project Implementing Entity to ensure, that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents. In particular, the Recipient shall ensure that:
 - (a) for each activity under the Project of a type for which the Environmental and Social Management Framework provides that an Environmental and Social Management Plan should be prepared, such Environmental and 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 Environmental and Social Management Framework, and the relevant activity is implemented in accordance with its Environmental and Social Management Plan; and
 - (b)
 - (i) 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.
 - (ii) Without limitation to the generality of the foregoing provisions in subparagraph (i) immediately above, the Recipient shall ensure, and cause the Project Implementing Entity to 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.

3. Without limitation to the generality of the foregoing provisions in subparagraph (2) immediately above, the Recipient shall ensure, and cause the Project Implementing Entity to 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.
4. The Recipient shall ensure, and cause the Project Implementing Entity to ensure, that the following expenditures for the Project are financed exclusively out of its resources other than the Financing, and, to this end, shall 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.
5. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit the Project Implementing Entity or any other entity participating in the implementation of the Project to do so.
6. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, and shall cause the Project Implementing Entity to, regularly collect, compile and submit to the Association, on a semi-annual 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.

7. The Recipient shall, and shall cause the Project Implementing Entity to, strengthen, maintain and operate throughout the period of Project implementation, a grievance redress mechanism (the "GRM") for the handling of any stakeholder 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 Recipient and the Association.
9. In the event that any provision of the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

E. Annual Work Plans and Budgets

1. Each year, the Recipient shall prepare, or cause to be prepared:
 - (a) a draft annual work plan and budget for the Project (including Training and Operating Costs) (an "Annual Work Plan and Budget") 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 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.
2. The Recipient 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 comments; 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 Annual Work Plan and Budget for such period which shall be furnished no later than one (1) month after the Effective Date.
3. 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.
4. The Recipient shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.
 5. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior approval.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient 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 Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Project In-Depth and Midterm Reviews

The Recipient shall:

- (a) carry out jointly with the Association and the Project Implementing Entity:
 - (i) not later than twelve months after the Effective Date, or such other period as may be agreed with the Association, an in-depth review of the Project; and
 - (ii) not later than November 30, 2018, or such other date as may be agreed with the Association, a midterm review of the Project;

in each case, to assess the status of Project implementation, as measured against the indicators set forth in the Project Operations Manual and the legal covenants included in this Agreement and the Project Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of safeguards measures; (v) implementation arrangements and Project staff turnover; and (vi) the need to make any adjustments to the Project to improve performance;
- (b) to this end, cause the Project Implementing Entity to prepare and furnish to the Recipient and the Association, at least 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

Section II.A.1 of the Schedule to the Project Agreement, 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 Association and the Project Implementing Entity the report referred to in the preceding paragraph and thereafter cause the Project Implementing Entity to 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 Association's views on the matter.

C. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
- 3. The Recipient shall cause the Project Implementing Entity to have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

D. Performance

- 1. The Recipient shall cause the Project Implementing Entity to ensure that:
 - (a) members of each Project Implementing Agency are at all times selected or recruited on the basis of terms of reference, qualifications and experience satisfactory to the Association;
 - (b) full financial and administrative authority for the Project is delegated to the Director in each Project Implementing Agency;
 - (c) the Director in each Project Implementing Agency is working full time as Director for the Project; and

- (d) the Project Implementing Entity, in conjunction with the Recipient and the Association, shall assess on a six-monthly basis (unless otherwise agreed between the Project Implementing Entity, the Recipient and the Association):
 - (i) the performances of the Director and other key management, fiduciary and technical staff members/consultants of each Project Implementing Agency,
 - (ii) the timely carrying out of the respective contribution of the Director and other key management, fiduciary and technical staff members/consultants of each Project Implementing Agency to the Annual Work Plans and Budgets, and
 - (iii) the review of the activities undertaken for the implementation of the Annual Work Plans and Budgets.
- 2. 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 any of the Project Implementing Agencies, including without limitation the Director, the Financial Management Specialist, the Procurement Specialist, the Communication Specialist, the Environmental and Social Specialist, the Monitoring and Evaluation Specialist, the Recipient shall ensure that 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.

Section III. Procurement

A. General

- 1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
- 2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
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; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Other Covenants

1. **Complaint Management Mechanism.** No later than six (6) months after the Effective Date, the Recipient shall establish (or cause to be established) and

thereafter maintain throughout Project implementation, a system for the handling of procurement complaints in form 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.

2. Procurement Record Keeping. No later than six (6) months after the Effective Date, the Recipient shall establish and thereafter maintain throughout Project implementation, a procurement documentation and record keeping system in form and substance acceptable to the Association, 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.

Section IV. Withdrawal of the Proceeds of the Credit

A. General

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in US\$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for Component 1 of the Project	19,750,000	100%
(2) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for Component 2 of the Project	80,000,000	100%
(3) Emergency Expenditures for Component 3 of the Project	0	100%
(4) Front-end Fee	250,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 3.01 (a) of the General Conditions
TOTAL AMOUNT	100,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Credit Account:
 - (a) until the Association has received payment in full of the Front-end Fee;
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$20,000,000 equivalent may be made for payments made prior to this date but on or after September 1, 2015, for Eligible Expenditures; or

- (c) under Category (3), unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of the activities to be financed from the funds allocated to said Category:
- (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CER Component in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (ii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.C.2 of this Schedule 2 to this Agreement, for the purposes of said activities;
 - (iii) the Recipient has adopted a CER Operations Manual in form, substance and manner acceptable to the Association whose provisions remain appropriate for the inclusion in and implementation of said activities under, the CER Component; and
 - (iv) the Recipient has prepared and disclosed or caused to be prepared and disclosed all safeguards instruments required for the activities to be financed under such Category (3), and has implemented any actions which are required to be taken under such documents and the Association Policies, all in accordance with the provisions of Section I.C.3(b) of Schedule 2 to this Agreement.

2. The Closing Date is February 28, 2022.

ANNEX TO SCHEDULE 2

National Competitive Bidding; Additional Provisions

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those set out in the Project Implementing Entity's Public Procurement Rules, with the additional provisions set forth below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. In the event of a conflict between the Recipient's procedures and the additional provisions set forth below, the latter shall govern.

- (i) Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.
- (ii) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (iii) Foreign bidders shall not be precluded from bidding, and no preference of any kind shall be given to national bidders in the bidding process.
- (iv) Bidding shall not be restricted to pre-registered firms.
- (v) Qualification criteria shall be stated in the bidding documents.
- (vi) Bids shall be opened in public, immediately after the deadline for the submission of bids.
- (vii) Single bids shall also be evaluated.
- (viii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior written agreement of the Association.
- (ix) Before rejecting all bids and soliciting new bids, the Association's prior written agreement shall be obtained.
- (x) Contracts shall not be awarded on the basis of nationally negotiated rates.
- (xi) Bids shall be solicited and works contracts awarded on the basis of unit prices.
- (xii) Contracts shall be awarded to the lowest evaluated and qualified bidder.

- (xiii) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidder.
- (xiv) Draft contracts shall be reviewed by the Association in accordance with Prior Review procedures.
- (xv) A firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association.
- (xvi) Each contract financed from the proceeds of the Financing shall provide that the suppliers, contractors, and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor, or subcontractor of such provision may amount to an obstructive practice.
- (xvii) Recipient-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.
- (xviii) The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by the Association.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15 commencing on July 15, 2021 to and including January 15, 2030	2.5%
and on July 15, 2030, to and ending on January 15, 2040	

* The percentages represent the percentage of the principal amount of the Credit to be repaid.

APPENDIX

Section I. Definitions

1. "Annual Work Plans and Budgets" means the annual work plans and budgets (including related cash forecasts) for the implementation of the Project reviewed by the Association, referred to in Section I.D.2 of Schedule 2 to this Agreement.
2. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
3. "Association Policies" means, to the extent that they are applicable to the Project activities, the operational policies and procedures OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.07 (Water Resources Management), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams) contained in the Association's Operational Manual which can be found on the Association's website at www.worldbank.org.
4. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
5. "CER Component" means Component 3 of the Project.
6. "CER Operations Manual" means the operations manual referred to in Section I.C.1(a) of Schedule 2 to this Agreement, to be adopted by the Recipient for the CER Component in accordance with the provisions of said Section.
7. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
8. "Coordinating Authority" means the entity or entities designated by the Recipient in the CER Operations Manual and approved by the Association pursuant to Section I.C.1(a)(i) of Schedule 2 to this Agreement, to be responsible for coordinating the CER Component of the Project.
9. "Counterpart Funds" means funds provided or to be provided by the Project Implementing Entity in accordance with Section I.D1 of the Annex to the Project Agreement.
10. "Credit Currency" means the means the currency in which the Credit is denominated.

11. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by Involuntary Resettlement.
12. “Eligible Civil Works” means civil works for the enhancement of PDMA Sindh’s operational facilities under Subcomponent 1.2 of the Project, with respect to which the Association has confirmed in writing to the Project Implementing Entity that they do not trigger the Association Policies (or if they do trigger any of the Association Policies, all requirements under such Association Policies have been complied with in accordance with the provisions of such Association Policies).
13. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
14. “Eligible Small Recharge Dam” means a small rainwater-fed recharge dam, less than 10 meters in height, which meets the eligibility criteria for the financing of its construction under Subcomponent 2.2 of the Project and with respect to which the Association has confirmed in writing to the Project Implementing Entity that it does not trigger the Association Policies (or if it does trigger any of the Association Policies, all requirements under such Association Policies have been complied with in accordance with the provisions of such Association Policies).
15. “Eligible Structural Investment” means an investment for the reconstruction, restoration, improvement, and up-gradation of flood embankments which meets the eligibility criteria for its financing under Subcomponent 2.1 of the Project and with respect to which the Association has confirmed in writing to the Project Implementing Entity that it does not trigger the Association Policies (or if it does trigger any of the Association Policies, all requirements under such Association Policies have been complied with in accordance with the provisions of such Association Policies).
16. “Emergency Expenditure” means any of the Eligible Expenditures set forth in the CER Operations Manual in accordance with the provisions of Section I.C.1(a)(ii) of Schedule 2 to this Agreement and required for the activities included in the CER Component.
17. “Environmental and Social Management Framework” means SID and PDMA Sindh document entitled “Sindh Resilience Project (SRP) – Environmental and Social Management Framework and resettlement Policy Framework (ESMF/RPF)” dated March 2016, which sets forth, *inter alia*, baseline conditions, impact assessment and mitigation measures mitigation as well as a resettlement policy framework and guidelines and procedures for the preparation of resettlement action plans for the Project, and such term includes any annexes, appendices, or schedules to such framework.

18. “Environmental and Social Management Plan” means, collectively, the environmental and social management plan included in Section 8.1 of the SID’s document entitled “Sindh Resilience Project (SRP) – Environmental and Social Impacts Assessment (ESIA) of Sh, Bu, Indo and Ms Embankments of Indus River” dated March 2016, and Section 6 of SID and PDMA Sindh Document entitled “Sindh Resilience Project (SRP) – Executive Summary - Environmental and Social Impacts Assessment” dated March 2016, as well as each plan which may be prepared by Project Implementing Entity in accordance with the provisions of the Environmental and Social Management Framework, if any, and any environmental and social management plan which may be prepared for activities to be included in the CER Component, if any, and such term includes any annexes, appendices, or schedules to such plan.
19. “Financial Center” means the principal financial center for the Dollar .
20. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
21. “Grievance Redress Committee” and the acronym “GRC” means the committee to be established by the Project Implementing Entity in accordance with Section III E.1 of Schedule 2 to this Agreement and Section I.A.4 of the Schedule to the Project Agreement.
22. “Grievance Redress Mechanism” and the acronym “GRM” means the mechanism established by the Project Implementing Entity for considering complaints and referred to in Section III E.1 of Schedule 2 to this Agreement and Section I.A.4 of the Schedule to the Project Agreement.
23. “Incremental Operating Costs” means the incremental operating costs of the Project incurred by the Recipient or the Project Implementing Entity for purposes of Project management, implementation, and monitoring and evaluation on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, office space rental, building and equipment maintenance, domestic and international travel, lodging, and subsistence allowances, and salaries and salary supplements of contractual and temporary staff, but excluding salaries, salary supplements and overheads of members of the Recipient’s or the Project Implementing Entity’s civil service.
24. “Interest Period” means the initial period from and including the date of this Agreement to but excluding the first Payment Date occurring thereafter, and after the initial period, each period from and including a Payment Date to but excluding the next following Payment Date.

25. "Involuntary Resettlement" means the following caused on account of Project implementation: (a) the involuntary taking of land, resulting in (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihood of the affected person.
26. "LIBOR" means for any Interest Period, the London interbank offered rate for deposits in the relevant Credit Currency for six months, expressed as a percentage per annum, that appears on the Relevant Rate Page as of 11:00 a.m. London time on the Reference Rate Reset Date for the Interest Period.
27. "Mid-term Review" is defined in Section II.A.2 of Schedule 2 to this Agreement.
28. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
29. "Procurement Plan" means the Recipient's procurement plan for the Project, dated February 8, 2016 (Component 2 of the Project) and February 22, 2016 (Component 1 of the Project) and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
30. "Project Agreement" means the agreement entered into between the Association and the Project Implementing Entity, with respect to the implementation of the Project and the use of the proceeds of the Financing made available to the Project Implementing Entity by the Recipient for the financing of the Project.
31. "Project Implementing Agency" means an agency responsible for the implementation of a Component of the Project, as designated in Schedule 2 to this Agreement or in the Schedule to the Project Agreement, and "Project Implementing Agencies" means, collectively, more than one Project Implementing Agency.
32. "Project Implementing Entity" means the Recipient's Province of Sindh, or any successor thereto.
33. "Project Operations Manual" means the Project Implementing Entity's manual described in Section I.C of the Project Agreement, which must be in form and substance acceptable to the Association and adopted pursuant to Section 4.01 of the Financing Agreement, as the same may be modified from time to time with the prior written agreement of the Association in accordance with Section I.C of the

Project Agreement, and such term includes any annexes, appendices, or schedules to such manual.

34. "Province" means a province of Pakistan, which constitutes the first order administrative divisions of the Recipient's territory, and "Provincial" has a corresponding meaning.
35. "Provincial Disaster Management Authority Sindh" or "PDMA Sindh" means the Provincial Disaster Management Authority of the Sindh Province established under the Recipient's Act (Act no. XXIV of 2010) for the establishment of a National Disaster Management System for Pakistan, or any successor thereto.
20. "Reference Rate" means, for any Interest Period:
 - (a) LIBOR. If such rate does not appear on the Relevant Rate Page, the Association shall request the principal London office of each of four major banks to provide a quotation of the rate at which it offers six-month deposits in Dollar to leading banks in the London interbank market at approximately 11:00 a.m. London time on the Reference Rate Reset Date for the Interest Period. If at least two such quotations are provided, the rate for the Interest Period shall be the arithmetic mean (as determined by the Association) of the quotations. If less than two quotations are provided as requested, the rate for the Interest Period shall be the arithmetic mean (as determined by the Association) of the rates quoted by four major banks selected by the Association in the relevant Financial Center, at approximately 11:00 a.m. in the Financial Center, on the Reference Rate Reset Date for the Interest Period for loans in Dollar to leading banks for six months. If less than two of the banks so selected are quoting such rates, the Reference Rate for Dollar for the Interest Period shall be equal to the Reference Rate in effect for the Interest Period immediately preceding it; and
 - (b) if the Association determines that LIBOR has permanently ceased to be quoted for Dollar, such other comparable reference rate for the relevant currency as the Association shall reasonably determine.
36. "Reference Rate Reset Date" means the day two London Banking Days prior to the first day of the relevant Interest Period (or in the case of the initial Interest Period, the day two London Banking Days prior to the first or fifteenth day of the month in which this Agreement is signed, whichever day immediately precedes the date of this Agreement; provided that if the date of this Agreement falls on the first or fifteenth day of such month, the Reference Rate Reset Date shall be the day two London Banking Days prior to the date of this Agreement).

37. "Relevant Rate Page" means the display page designated by an established financial market data provider selected by the Association as the page for the purpose of displaying the Reference Rate for deposits in the Credit Currency.
38. "Resettlement Action Plan" and the acronym "RAP" means resettlement action plan which may be prepared by the Project Implementing Entity for the Project in accordance with the provisions of the Resettlement Policy Framework, identifying Displaced Persons on account of implementation of Project activities, and setting forth the terms and conditions for providing them with resettlement assistance and/or compensation, as well as the procedures to be applied in the identification, assessment and mitigation of potential Project related social impacts, including the protocols for consultation, the processing of complaints and grievance redress, monitoring and reporting requirements, and the Displaced Persons' entitlement schedules; as such plan may be revised, updated or supplemented from time to time with the prior written agreement of the Association.
39. "Resettlement Policy Framework" means the resettlement policy framework contained in Section 6 of the Environmental and Social Management Framework, as well as, as the case may be, the resettlement policy framework prepared for activities to be included in the CER Component, if any, each containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons, as the same may be amended from time to time in accordance with Section I.E.6 of Schedule 2 to this Agreement.
40. "Safeguards Documents" means, collectively, the Environmental and Social Management Framework, the Environmental and Social Management Plans, the Resettlement Policy Framework, and the Resettlement Action Plan(s), if any.
41. "SID" means Sindh Irrigation Department, or any successor thereto.
42. "Sindh" means the Recipient's Province of Sindh, or any successor thereto.
43. "Sindh Provincial Disaster Management Fund" means the fund established under the Recipient's Act (Act no. XXIV of 2010) for the establishment of a National Disaster Management System for Pakistan, or any successor thereto.
44. "Training" means the reasonable cost of trainings, seminars and workshops, conferences and study tours, conducted in the territory of the Recipient, including: (i) the fees of training institutions and courses; (ii) domestic travel costs, lodging costs, and subsistence/per diem allowances both for trainers and trainees; (iii) the rental of training facilities; and (iv) preparation, purchase or reproduction of training materials.

45. "Variable Spread" means, for each Interest Period, the Association's spread for Credits that carry interest at a rate based on a variable spread as determined by the Association and expressed as a percentage per annum.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified, as necessary, to reflect the modifications set forth in the paragraphs below.
2. Section 2.07 (*Refinancing Preparation Advance*) is retitled as "*Refinancing Preparation Advance; Capitalizing Front-end Fee*", amended by adding a new paragraph (b), and modified to read as follows:

"Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee

(a) If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Bank or the Association ("Preparation Advance"), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.

(b) *Except as otherwise provided in the Financing Agreement, the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date and pay to itself the amount of the Front-end Fee payable pursuant to Section 3.01 (a)."*

3. Section 3.01 (*Commitment Charge*) is retitled as "*Front-end Fee; Commitment Charge*", amended by adding a new paragraph, and modified to read as follows:

"Section 3.01. Front-end Fee; Commitment Charge

(a) The Recipient shall pay the Association a front-end fee on the Credit amount at the rate specified in the Financing Agreement (the "Front-end Fee").

(b) The Recipient shall pay the Association a commitment charge on the Unwithdrawn Credit Balance at the rate specified in the Financing Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty

days after the date of the Financing Agreement to the respective dates on which amounts are withdrawn by the Recipient from the Credit Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

4. Section 3.02 (*Service Charge*) is retitled as “*Interest Charge*” and modified to read as follows:

“Section 3.02. *Interest Charge*

(a) The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest Charges shall be computed using a day-count convention reasonably determined by the Association.

(b) If interest on any amount of the Withdrawn Credit Balance is based on a Variable Spread, the Association shall notify the Recipient of the interest rate on such amount for each Interest Period, promptly upon its determination.

(c) If interest on any amount of the Credit is based on LIBOR or EURIBOR, and the Association determines that such Reference Rate has permanently ceased to be quoted for the relevant Credit Currency, the Association shall apply such other comparable Reference Rate for such Credit Currency as it may reasonably determine. The Association shall promptly notify the Recipient of such other rate.”

5. Section 3.03 (*Repayment of the Credit*) is modified by deleting paragraph (b) in its entirety and amending the remaining paragraph (a) to read as follows:

“Section 3.03. *Repayment of the Credit*

The Recipient shall repay the Withdrawn Credit Balance to the Association in installments as provided in the Financing Agreement.”

6. Section 3.04 (*Prepayment*) is modified to read as follows:

Section 3.04. *Prepayment*

(a) After giving not less than forty-five days' notice to the Association, the Recipient may repay the Association in advance of maturity, as of a date acceptable to the Association, all or any part of the principal amount of one or more maturities of the Credit specified by the Recipient, provided the Recipient has made payments due on the Credit as at such date, including any prepayment premium calculated pursuant to paragraph (b) of this Section.

(b) The prepayment premium payable under paragraph (a) of this Section shall be an amount reasonably determined by the Association to represent any gains or losses to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit."

7. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth in paragraphs 1 through 6 above.
8. Paragraph 28 of the Appendix ("Financing Payment") is modified to read as follows:

"28. "Financing Payment" means any amount payable by the Recipient to the Association pursuant to the Financing Agreement or these General Conditions, including (but not limited to) any amount of the Withdrawn Credit Balance, the Interest Charge, the Front-end Fee, the Commitment Charge, and any prepayment premium."
9. A new paragraph 30 is inserted in the Appendix with the following definition of "Front-end Fee", and the subsequent paragraphs are renumbered accordingly:

"30. "Front-end Fee" means the fee specified in the Financing Agreement for the purpose of Section 3.01 (a)."
10. A new paragraph 33 is inserted in the renumbered Appendix with the following definition of "Interest Charge", and the subsequent paragraphs are renumbered accordingly:

"33. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02."
11. Renumbered paragraph 38 (originally paragraph 36) of the Appendix ("Payment Date") is modified by deleting the words "Service Charges" and inserting the words "Interest Charges".
12. Renumbered paragraph 51 (originally paragraph 49) of the Appendix ("Service Charge") is deleted in its entirety, and the subsequent paragraphs are renumbered accordingly.