Project Agreement

(Second Sindh Education Sector Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF SINDH

Dated November 28, 2013
PROJECT AGREEMENT

AGREEMENT dated November 28, 2013, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the PROVINCE OF SINDH ("Sindh") ("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 Sindh 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. Sindh declares its commitment to the objectives of the Project. To this end, Sindh 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 Sindh shall otherwise agree, Sindh 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. Sindh’s Representative is the Secretary to the Government of Sindh, Education and Literacy Department.

4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America
4.03. Sindh's Address is:

Education and Literacy Department
Government of Sindh
Tughluq House, Sindh Secretariat #2
Karachi, Sindh
Islamic Republic of Pakistan

Facsimile:
92-21-9216511

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: R. Duncan
Title: Acting Country Director

PROVINCE OF SINDH

By

Authorized Representative

Name:______________
Title:______________
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Sindh shall maintain, throughout the period of implementation of the Project, a steering committee (the "Steering Committee for SERP II") headed by the Additional Chief Secretary of Sindh, and comprised of representatives from, inter alia, Sindh’s Education and Literacy Department ("SED"), Finance Department, the Local Government Department, the Accountant-General Office and the Provincial Procurement Regulatory Authority; which committee shall be assigned with functions, responsibilities, staff and resources, in each case satisfactory to the Association, as shall be required for the overall strategic policy guidance, interdepartmental coordination and oversight support to the implementation of SERP II by SED.

2. (a) Sindh shall maintain, throughout the period of implementation of the Project, a reform support unit ("RSU") with functions, responsibilities, staff and resources, in each case satisfactory to the Association.

   (b) Without limitation to the provisions of sub-paragraph 2 (a) above, SED shall be responsible for policy formulation, coordination, implementation and monitoring of the initiatives under SERP II, including: (i) liaising with the relevant stakeholders (ii) reporting on Project implementation progress, including progress in achieving DLIs, and monitoring EEPs; (iii) ensuring compliance with the procurement, financial management, and environmental and social safeguards management arrangements.

   (c) Without limitation to the provisions of sub-paragraphs 2 (a) and (b) above, SED shall maintain within the RSU, throughout the period of implementation of the Project, a procurement officer, a contract management officer, a financial management officer, a financial reporting officer and an environmental coordinator, all with qualifications, experience and terms and conditions of employment shall be acceptable to the Association.

3. (a) Sindh shall maintain, throughout the period of implementation of the Project, an economic reform unit with functions, responsibilities, staff and resources, in each case satisfactory to the Association.

   (b) Without limitation to the provisions of sub-paragraph 3 (a) above, the Economic Reform Unit shall be responsible for providing support to SED and other entities at the provincial, regional and district level for, inter alia: (i) fiscal and budget management improvements; (ii) budgeting and budget execution; (iii) education sector budgets and expenditure management; (iv) design, implementation, and
monitoring of school budgets and SMC Grants; and (v) improvements to education-sector employee payroll procedures and practices.

4. Sindh shall maintain, throughout the period of implementation of the Project, a regional oversight committee (the “Regional Reform Oversight Committee”) for each of the Sindh’s regions/divisions, with functions, responsibilities, staff and resources, in each case satisfactory to the Association, as shall be required for the purpose of providing guidance and reviewing the implementation progress and performance under SERP II at the regional and district levels.

5. Sindh shall establish by September 30, 2013, and thereafter maintain, throughout the period of implementation of the Project, a Local Support Unit (“LSU”) in each district, with structure, functions, responsibilities, staff and resources, in each case satisfactory to the Association, as shall be required for the purpose of coordinating, supporting and monitoring the implementation of SERP II at the district level.

B. Anti-Corruption

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

C. Project Implementation Manual

1. Sindh shall, through SED, update by no later than October 31, 2013, the Project implementation manual in form and substance satisfactory to the Association, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project, including guidelines for Project disbursement and financial management, procurement, environmental and social safeguards management; (b) monitoring, evaluation, reporting and communication, including a detailed protocol for the verification of DLIs; and (c) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. Sindh shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail), and shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the PIM or any of its provisions without prior approval by the Association.

D. Safeguards

1. Sindh shall (and shall cause SEF to) ensure that the activities under the Project:

   (i) are carried out in accordance with the Environmental and Social Management Framework, the objectives, policies and procedures thereof, and the social and environmental mitigation measures and monitoring requirements provided therein including any and all plans, acceptable to the Association, developed thereunder; and
(ii) do not entail involuntary land acquisition or give rise to Affected Persons.

2. In the event that any land is required for the Project, Sindh, in consultation with the Association, shall ensure that such land be obtained under a willing-buyer/willing-seller basis, or as a voluntary donation or bequest.

E. Performance Based Incentive Plan

Sindh, through SED, shall: (i) carry out, throughout the period of implementation of the Project, the Performance Based Incentive Plan for government officials assigned to the RSU and the LSUs; (ii) refrain from amending, abrogating or waiving, or permitting such plan or any of its provisions to be amended, abrogated or waived, without prior approval by the Association; and (iii) prepare the monthly staff performance evaluation reports and submit them to the Association within thirty (30) days after the end of each calendar quarter.

F. Web Based Complaints Mechanism

Sindh shall, through SED, establish by no later than October 31, 2013, and thereafter maintain in the RSU and SEF, throughout the period of the implementation of the Project a web based complaints mechanism for the handling complaints, in form and substance acceptable to the Association, related to SERP II and, in particular the PPRS Program.

G. Fiduciary Requirements

1. In order to comply with its fiduciary responsibilities under the Project, Sindh shall ensure that:

   (a) Regional and district officials and teachers use the School Non-salary Budgets, in accordance with: (i) the School Specific Budgets: Guidelines for the Procurement of Goods by Schools with Drawing and Disbursing Authority and the School specific budgets: Guidelines for the Procurement of Goods by Schools without Drawing and Disbursing Authority (as the case may be), in form and substance acceptable to the Association, and (ii) the provisions of the Anti-Corruption Guidelines;

   (b) Schools under the PPRS Program use the PPRS subsidies in accordance with: (i) the Financial Management and Procurement Guidelines for PPRS, in form and substance acceptable to the Association, and (ii) the provisions of the Anti-Corruption Guidelines; and

   (c) SMCs use the SMC Grants in accordance with: (i) the Financial Management and Procurement Guidelines for SMCs, in form and substance acceptable to the Association, and (ii) the provisions of the Anti-Corruption Guidelines.
2. Sindh shall ensure that none of guidelines referred in sub-paragraphs 1 (a) through 1(c) above, is amended, waived, terminate, suspended and/or abrogated, whether in whole or in part, without prior approval by the Association.

H. Cancellation of School Codes

Sindh, through SED, shall ensure that the identification code of all government schools that are consolidated, in accordance with the School Consolidation Policy, are permanently cancelled and deleted from the Sindh education management information system, within sixty (60) days after the date of the official consolidation notification issued by the Director, School Education.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Sindh, through SED 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 a calendar semester (September through February and March through August), and shall be furnished to the Recipient and the Association not than March 31 and September 30, respectively.

2. Without limitation on the provisions of sub-paragraph 1 of this Part, Sindh, through SED, shall ensure that each Region Reform Oversight Committee monitor and evaluate the progress and performance of the Project at the region and districts levels, and submit progress reports, including the minutes of their meetings to SED, in form and manner acceptable to the Association. Each such progress report shall cover the period of a calendar semester (September through February and March through August), and shall be furnished to the Recipient and Association not later than March 31 and September 30, respectively.

B. Financial Management, Financial Reports and Audits

1. Sindh 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 Sindh, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, Sindh shall prepare and furnish to the Recipient and the Association the interim financial reports ("IFR"):

(a) by no later than November 30 of each year, commencing on November 30, 2013, an IFR for the Project, in form and substance satisfactory to the Association, covering the immediately preceding six-month period (i.e. May through October) of Project activities; and
(b) by no later than May 31 of each year, commencing on May 31, 2014, an IFR for the Project, in form and substance satisfactory to the Association, covering the immediately preceding six-month period (i.e. November through April) of Project activities.

3. Sindh 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 Sindh. Sindh shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

4. Without limitation on the provisions of sub-paragraph (3) of this Part, Sindh shall ensure that SEF has the financial statements covering its overall budgetary expenditures 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 SEF. Sindh shall ensure that the SEF’s audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than nine months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

5. Without limitation on the provisions of sub-paragraphs (3) and (4) of this Part, Sindh shall have the financial statements covering its overall budgetary expenditures 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 Sindh. Sindh shall ensure that the audited financial statements for each period shall be furnished to the Association not later than one month after their receipt from the Recipient’s Auditor General.

C. Budget Execution Reports

Notwithstanding the reporting requirement set forth in Part B of this Section, Sindh shall prepare quarterly consolidated budget execution reports ("BER") in form and substance satisfactory to the Association, setting out values of budgets, actual expenditures incurred and balances thereof, if any, per budget line, for the whole education sector, and summarizing budget allocations and utilization in the EEP, covering the period from the beginning of fiscal year of Sindh, in which the report is prepared and up to the date of any such reports. The BERs shall be prepared in each calendar quarter, and be submitted to the Association no later than thirty (30) days after the end of each such quarter.

Section III. Procurement

1. 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.
2. Sindh shall:

   (a) establish, by no later than December 31, 2013, 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; and

   (b) maintain throughout the period of implementation of the Project, 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 and official estimates (i.e. unit prices based on market values), complete bidding documents, the status of procurement of various contracts (the summary of proposals/bid evaluations and awards) financed by proceeds of the Financing, as well as contracts related to textbook publication and transportation, and civil works under the Terms of Partnership financed by Sindh’s counterpart funds, performance and payment delays related to such contracts, and a list of procurement complaints and status thereof.