Project Agreement

(Additional Financing for Sindh Water Sector Improvement Phase-I Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROVINCE OF SINDH

and

SINDH IRRIGATION AND DRAINAGE AUTHORITY

Dated March 11, 2015
PROJECT AGREEMENT

AGREEMENT dated 06-C-2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"), PROVINCE OF SINDH ("Project Implementing Entity") and SINDH IRRIGATION AND DRAINAGE AUTHORITY ("SIDA") ("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, the Project Implementing Entity and SIDA 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, the Original Financing or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity and SIDA each declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity and SIDA shall carry out their respective obligations under the Project as specified in this Agreement and in the PIP in accordance with the provisions of Article IV of the General Conditions, and shall each provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association, the Project Implementing Entity and SIDA shall otherwise agree, the Project Implementing Entity and SIDA shall each carry out its respective obligations under 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. (a) The Project Implementing Entity’s Representative is its Additional Chief Secretary (Development).

(b) The Project Implementing Entity’s Address is:

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

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

4.02. (a) SIDA’s Representative is its Managing Director.

(b) SIDA’s Address is:

Sindh Irrigation and Drainage Authority (SIDA)
Telecopy:
+9222 921 0081

4.03. The Association’s Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.
AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Rachid Benmessaud
Title: Deputy Director

PROVINCE OF SINDH

By

Authorized Representative

Name: Zahoor Hyder Shah
Title: Secretary Irrigation Govt. Sindh

SINDH IRRIGATION AND DRAINAGE AUTHORITY

By

Authorized Representative

Name: Aghaar Hussain Effendi
Title: MD Sindh
SCHEDULE

Execution of the Project

Section I  Institutional and Other Arrangements

A. General

1. (a) The Project Implementing Entity shall vest responsibility for the implementation of the Project in SIDA and ensure that SIDA is maintained throughout Project implementation with staffing, resources and terms of reference acceptable to the Association. To this end, and prior to the award of any contract for the implementation thereof, the Project Implementing Entity shall make the proceeds of the Financing available to SIDA under an agreement or arrangement between the Project Implementing Entity and SIDA which shall allow for the following:

(i) the right of the Project Implementing Entity to suspend or terminate the right of SIDA to use said proceeds, or obtain a refund of all or any part of the amount of said proceeds then withdrawn, upon SIDA's failure to perform any of its obligations under said agreement or arrangement; and

(ii) the obligation of SIDA to:

(A) carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, and social standards and practices satisfactory to the Association, including the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(B) carry out the Project in accordance with the provisions of the Project Implementation Plan and the Safeguard Documents, and without any right or authority, except as the Association shall otherwise agree in writing, to assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof;

(C) provide, promptly as needed, the resources required for the purpose of the Project;
(D) procure the goods and services to be financed out of the proceeds in accordance with the provisions of this Agreement;

(E) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the indicators set forth in the Project Implementation Plan, the progress of the Project and the achievement of its objectives;

(F) (AA) maintain a financial management system and prepare Project 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; and (BB) at the Recipient’s or the Association’s request, have the statements referred to in subparagraph (AA) of this paragraph (F) audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and

(G) enable the Recipient and the Association to inspect the Project, its operation, and any relevant records and documents; and prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

(b) The Project Implementing Entity shall exercise its rights under the agreement referred to in paragraph 1(a) of this Part A in such manner as to protect its interests and those of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, said agreement or any of its provisions.

(c) In the event of a conflict between the provisions of the agreement referred to in paragraph 1(a) of this Part A and those of this Agreement, the latter shall govern.

(d) SIDA shall be responsible for, inter alia; (i) registering FOs under the Ordinance; (ii) ensuring that FO capacity is strengthened and providing support to the FOs following the transfer of asset management to them; (iii) managing the financial management, procurement and disbursement
processes under the Project including ensuring that funds are transferred to other Implementing Agencies for the implementation of their respective activities under the Project; (iv) contributing to the Project's overall management information system; (v) preparation of the master plan for flood and drainage management on the left bank of the Indus river and plans for delta area and coastal zone under Part C.2 of the Project in coordination with other concerned provincial and federal agencies; (vi) collaborating with PCMU for the preparation of future projects under Part E.2 of the Project; and (vii) provision of technical assistance, training and strategic studies under Part E.3 of the Project.

2. The Project Implementing Entity shall maintain AWBs throughout Project implementation, to be responsible for, inter alia, entering into IDMTAs with eligible FOs implementing civil works for improvement of main and branch canals under Part B.1 of the Project, assisting FOs in identifying, preparing and implementing Sub-Projects for Distributaries and Minor Canals, receiving the AWB/SIDA share of water charges collected by FOs, and improving of the drainage system under Part B.3 of the Project.

3. The Project Implementing Entity shall ensure that FOs maintain a central role in Project implementation. To this end, the Project Implementing Entity shall ensure that FOs who enter into IDMTAs with AWBs progressively take over irrigation management from AWBs including distribution of water among users, collection of water charges, maintaining income and expenditure accounts, and carrying out the routine operation, maintenance and repairs of the distributary or minor canals. FOs shall also be responsible for identifying, planning and implementing Sub-Projects for Distributaries and Minor Canals.

4. The Project Implementing Entity shall ensure that IPD carries out the feasibility studies for rehabilitation of barrages under Part C.1 of the Project and coordinates with SIDA on the preparation of the master plan for the Indus left bank, delta and coastal zones under Part C.2 of the Project. The Project Implementing Entity shall also ensure that IPD works closely with SIDA and AWBs in operating the canal system and implementation of all activities on main and branch canals.

5. The Project Implementing Entity shall ensure that PCMU is maintained throughout Project implementation for purposes of overall coordination of Project implementation and monitoring Project implementation activities. To this end PCMU shall be responsible for carrying out Project monitoring and evaluation studies and supervision of the overall Safeguard Documents, as well as specific environment and social plans for Sub-Projects for Distributaries and Minor Canals under Part D of the Project. PCMU shall also be responsible for preparation of future water sector projects under Part E.2 of the Project in collaboration with SIDA and IPD, carrying out various studies and managing
technical assistance and training under Part E.3 of the Project in coordination with SIDA, and shall also act as the secretariat for the Project Steering Committee.

6. No later than January 30, 2015, the Project Implementing Entity shall appoint and maintain throughout Project implementation, PMCA in accordance with Section III of the Schedule to this Agreement. PMCA shall be responsible for recruitment and supervision of consulting services under the Project as well as providing support for the recruitment of SIDA and AWB staff recruited under the Project. To this end, PMCA shall be responsible for the preparation of requests for proposal packages, reviewing of the terms of reference for consultants, short listing of consultants, evaluation of technical and financial proposals, and awarding of contracts with the clearance of the Project Implementing Entity. During Project implementation, PMCA shall be responsible for reviewing any changes proposed in the terms of reference or scope of work of the consultants and variations resulting from such proposals, overseeing work of consultants and evaluating the performance of the consultants in carrying out their responsibilities, examining whether the purpose of consulting services is being achieved, as well as overseeing payments made to the consultants. PMCA shall also be responsible for developing a procurement website to be managed and updated by PCMU and for carrying out overall monitoring of the procurement under the Project. This may be done through an amendment to an existing contract provided, however, that the amendment is consistent with the requirements of Section III of this Schedule.

7. The Project Implementing Entity shall maintain the Project Steering Committee with composition, resources and terms of reference acceptable to the Association, to be responsible for providing policy and strategic guidance and monitoring overall Project implementation and outcomes. To this end the Project Steering Committee shall be responsible for: (i) reviewing physical and financial progress reports, evaluating outcomes (including those relating to social and environment safeguards), ensuring consistency of Project implementation with the Project Implementing Entity’s implementation framework, providing policy guidelines and advising Implementing Agencies how issues affecting implementation can be overcome; (ii) Ensuring provision of adequate budgetary allocation for timely implementation of the Project and for operation and maintenance; (iii) resolving issues not settled by SIDA and PCMU; (iv) ensuring adequacy and continuity of Project management staff; and (v) ensuring that the Project complies with legal and financial covenants set out in the Financing Agreement and the Project Agreement.

8. The Project Implementing Entity and SIDA shall ensure that technical designs for construction works under the Project (including for major canals) are based on international standards and that such designs ensure that the full discharge
entitlement of each canal is determined on the basis of their share of diversions at the head of the main canal command system over the previous ten years.

9. The Project Implementing Entity shall not later than January 30, 2015, contract consultants with qualifications, terms of reference and experience satisfactory to the Association, to carry out monitoring and evaluation studies under Part D of the Project and provide Project coordination services. This may be done through an amendment to existing contracts provided, however, that said amendment is consistent with the requirements of Section III of this Schedule.

B. Sub-Projects for Distributaries and Minor Canals

To be eligible to receive assistance for carrying out Sub-Projects for Distributaries and Minor Canals, potential beneficiaries must prepare and furnish one or more proposals to SIDA that fully satisfy the eligibility criteria specified in the PIP and the Safeguard Documents. Specifically, SIDA shall ensure that:

(a) potential beneficiaries have formed an FO at the level of the distributary or minor canal, in accordance with the Ordinance;

(b) the FOs have the technical capacity to participate in the carrying out of the proposed Sub-Projects for Distributaries and Minor Canals;

(c) the FOs have entered into IDMTAs with SIDA, in form and substance satisfactory to the Association, for the operation and maintenance of the facilities on which the Sub-Projects for Distributaries and Minor Canals are to be carried out;

(d) environment and social assessments have been carried out for the Sub-Projects for Distributaries and Minor Canals in accordance with the Safeguard Documents, and relevant plans for the mitigation of environment and social impacts are prepared and approved by the Association;

(e) the technical designs for construction works are based on international standards and that such designs ensure that the full discharge entitlement of each canal is determined on the basis of their share of diversions at the head of the main canal command system over the previous ten years;

(f) acting through such FOs, the potential beneficiaries have: (i) furnished evidence to SIDA that the proposed Sub-Projects for Distributaries and Minor Canals satisfy all the eligibility and prioritization criteria satisfactory to the Association set out in the PIP and applicable to such Sub-Projects for Distributaries and Minor Canals, (ii) reached agreement with SIDA, in form and substance satisfactory to the Association, for
carrying out the Sub-Projects for Distributaries and Minor Canals; (iii) through their representatives participated in the planning, design, invitation and evaluation of bids, and awarding contracts for the procurement of civil works and materials; and

(g) SIDA shall obtain rights adequate to protect its interests and those of the Project Implementing Entity, the Recipient and the Association, including the right to:

(i) suspend or terminate the right of the beneficiaries acting through FOs to receive assistance from the Project for carrying out Sub-Projects, or declare to be immediately due and payable or obtain a refund of all or any part of such assistance then received, upon the beneficiaries’ failure to perform any of their obligations in the carrying out of their Sub-Project and the use of the assistance received; and

(ii) require each beneficiary to:

(A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for the purpose;

(C) procure the goods, works and services to be financed out of the Project assistance in accordance with the provisions of this Agreement;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Recipient, the Project Implementing Entity, SIDA and the Association, the progress of the Sub-Project and the achievement of its objectives;

(E) (1) maintain a simple financial management system and prepare simple 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
Sub-project; and (2) at the Recipient’s or the Association’s or the Project Implementing Entity’s or SIDA’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient, the Association, the Project Implementing Entity and SIDA;

(F) enable the Recipient, the Association, the Project Implementing Entity and SIDA to inspect the Sub-project, its operation and any relevant records and documents; and

(G) prepare and furnish to the Recipient, the Association, the Project Implementing Entity and SIDA all such information as the Recipient or the Association or the Project Implementing Entity or SIDA shall reasonably request relating to the foregoing.

C. Project Implementation Plan and annual plans

1. The Project Implementing Entity and SIDA shall implement the Project in accordance with the PIP and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

2. (a) The Project Implementing Entity and SIDA shall: (i) not later than March 31 in each year, furnish to the Association, for its review and agreement a draft annual plan of the Project activities, including a work program and proposed budget, for the next following Fiscal Year; and (ii) not later than the next following May 31, finalize such plan based on the draft as so agreed by the Association.

(b) The Project Implementing Entity and SIDA shall ensure that the Project is carried out in accordance with the annual work plans and budgets approved by the Association. Only the activities included in an annual work plan and budget expressly approved by the Association are eligible to a financing from the proceeds of the Financing. Annual work plans and budgets may be revised as needed during Project implementation subject to the Association’s prior approval.
D. **Environment and Social Safeguards**

1. The Project Implementing Entity and SIDA shall ensure that the Project is carried out in accordance with the Safeguard Documents, and that the implementation of the Safeguard Documents is adequately monitored and supervised throughout Project Implementation.

2. Specifically, the Project Implementing Entity and SIDA shall ensure that appropriate environment management plans and social impact management plans are prepared and adopted before any civil works, both for main and branch canals and for Sub-Projects for Distributaries and Minor Canals, are carried out, all in accordance with the Safeguard Documents.

3. The Project Implementing Entity and SIDA shall ensure that: (a) no main or branch canal, distributary or minor canals, drains, offices for FOs, canal service roads and any other activities involving land acquisition will be included in the Project without prior approval of the Association; and (b) such land acquisition and mitigation of other social impacts such as involuntary resettlement, is carried out in accordance with the social impact management framework attached to the Integrated Social and Environmental Assessment.

4. The Project Implementing Entity and SIDA shall ensure that construction works are not carried out in any known protected areas, wildlife sanctuaries or wetlands and are limited to the areas that are already cultivated and irrigated. Works adjacent to such protected and/or ecologically significant areas would be undertaken after review of their designs and associated environment and social impact assessments and environment and social impact management plans by SIDA and the Association.

5. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, neither the Project Implementing Entity nor SIDA shall abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall either of them permit any of the Implementing Agencies 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 Project Implementing Entity and SIDA shall regularly collect, compile and submit to the Recipient and 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. 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. **Anti-Corruption**

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

**Section II Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. The Project Implementing Entity and SIDA 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 agreed with the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later than three (3) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. (a) The report which the Project Implementing Entity and SIDA shall furnish to the Association, in accordance with the provisions of Section 4.08 of the General Conditions (for the purposes of this Section “the Mid-Term Review Report”), shall: (i) integrate the results of the monitoring and evaluation activities performed pursuant to Paragraph A.1 of this Section II, on the progress achieved since commencement of Project implementation in carrying out of the Project; and (ii) set forth the measures recommended to ensure satisfactory Project implementation and achievement of the Project objectives for the remainder of the Project’s implementation period; and

(b) the Project Implementing Entity and SIDA shall review with the Association, by such date as the Association shall request, the Mid-Term Review Report, and, thereafter, take all measures required to ensure the satisfactory completion of the Project and the achievement of the Project objectives, based on the conclusions and recommendations of the Mid-Term Review Report and the Association’s views on the matter.

3. The Mid-Term Review Report shall cover, *inter alia*: (i) Project scope, design and implementation arrangements; (ii) implementation progress against agreed indicators in the PIP; (iii) procurement performance; (iv) performance of consultants; (v) fund flows; (vi) the progress of implementation of the Safeguard
Documents; and (vii) any other issue agreed between the Project Implementing Entity or SIDA and the Association.

4. The Project Implementing Entity and SIDA shall provide to the Recipient not later than four months after 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. Financial Management, Financial Reports and Audits

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

2. The Project Implementing Entity and SIDA shall have the Project's Financial Statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity and SIDA. The Project Implementing Entity and SIDA 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.

Section III Procurement

1. Procurement Procedures. All goods, works and services required for the Project Implementing Entity’s Respective Part of 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. Procurement Risk Management

(a) SIDA shall no later than January 30, 2015, appoint PMCA and thereafter maintain it throughout Project implementation with terms of reference, resources and staffing acceptable to the Association, to be responsible for recruitment and supervision of consulting services under the Project. The appointment of PMCA may be done through an amendment to an existing contract provided, however, that the amendment is consistent with the requirements referred to in Section III.1 of this Schedule.
SIDA shall ensure that consultants recruited through the PMCA process under the Project shall be responsible for preparing designs and bidding documents, procurement of works, bid evaluation and construction supervision. Such consultants shall act as the “engineer” for major civil works contracts, including contracts for the improvement of canals, distributaries and minors, and shall ensure that the Procurement Guidelines are followed in bidding, award, and supervision of these contracts.

SIDA shall ensure that enhanced community participation in planning and management of construction works is supported under the Project. This shall include awarding of construction contracts directly to FOs based on Community Participation and permitting FOs to enter into contracts for Sub-Projects for Distributaries and Minor Canals.

SIDA shall ensure that Transparency International participates as an observer in all bid/proposal opening and evaluation committee meetings. To this end, Transparency International shall, as an observer, monitor whether: (a) bid opening is done in a timely manner in accordance with the schedule; (b) bid opening venue is accessible to all prospective bidders; (c) bid documents are made available to all interested parties and are also available on the procurement website; (d) bids are received in sealed forms, opened publicly and kept in a verifiably safe place after opening until the evaluation is complete to avoid any tampering after opening; (e) bid evaluations are carried out confidentially and intermediate working reports are kept safely with access to only the evaluators; (f) complaints are received, entered into the system and processed through the established complaint redress system; (g) report to PMCA any issues or anomalies in procurement process and if necessary bring such anomalies to the attention of the Project Steering Committee and the Planning and Development Department which shall recommend and take appropriate action. Transparency International shall carry out such reviews or participate in bidding procedures for contracts that are above the threshold for prior review indicated in the Procurement Plan and, on a random basis, for contracts subject to post review as referred to in Section III paragraph 1 of this Schedule.

SIDA shall maintain a system, satisfactory to the Association, of handling procurement complaints, which shall include management of the complaints system by PMCA with oversight by the Project Steering Committee, maintenance of a complaints database, adoption of a standard protocol with appropriate triggers for carrying out investigations, and taking action against involved parties. For procurement done through International Competitive Bidding, the World Bank prescribed complaint redress mechanism will apply.