Agreement Amending Development Credit Agreement and Project Agreement

(Second Karachi Water Supply and Sanitation Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

PROVINCE OF SINDH

and

KARACHI METROPOLITAN CORPORATION

and

KARACHI WATER AND SEWERAGE BOARD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 19, 1993
AGREEMENT AMENDING
DEVELOPMENT CREDIT AGREEMENT AND PROJECT AGREEMENT

AGREEMENT, dated May 19, 1993, between
ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower)
and PROVINCE OF SINDH acting by its Governor (SINDH) and KARACHI
METROPOLITAN CORPORATION (KMC) and KARACHI WATER AND SEWERAGE BOARD
(KWSB) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association have entered into
a Development Credit Agreement (Second Karachi Water Supply and
Sanitation Project) dated April 26, 1989 (the Development Credit
Agreement) for the purpose of assisting in the financing of the
Project described in Schedule 2 to the Development Credit Agreement
(the Project);

(B) the Association and Sindh and KMC and KWSB have entered
into a Project Agreement (Second Karachi Water Supply and Sanitation
Project) dated April 26, 1989 (the Project Agreement);

(C) the Borrower has requested the Association to provide
additional assistance towards the financing of the Project by
increasing the amount made available under the Development Credit
Agreement by an amount in various currencies equivalent to sixty-six
million four hundred thousand Special Drawing Rights
(SDR 66,400,000); and

WHEREAS the Association has agreed, on the basis, inter alia,
of the foregoing, to provide such additional assistance to the
Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendment of the Development Credit Agreement

Section 1.01. Section 1.02 of the Development Credit Agreement
is amended by deleting the "and" at the end of Subsection (c),
substituting "; and" for "," at the end of Subsection (d) and adding
a new Subsection (e) as follows:

"(e) 'Amending Agreement' means the Agreement Amending
the Development Credit Agreement (Second Karachi Water Supply
and Sanitation Project) between the Borrower and the
Association, dated April 26, 1989, and the Project Agreement (Second Karachi Water Supply and Sanitation Project) between the Association and Sindh and KMC and KWSB, of even date therewith."

Section 1.02. Section 2.01 of the Development Credit Agreement is amended to read as follows:

"Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred sixty-three million five hundred thousand Special Drawing Rights (SDR 163,500,000) in two tranches, the first tranche being an amount in various currencies equivalent to ninety-seven million one hundred thousand Special Drawing Rights (SDR 97,100,000) (the First Tranche) and the second tranche being an amount in various currencies equivalent to sixty-six million four hundred thousand Special Drawing Rights (SDR 66,400,000) (the Second Tranche)."

Section 1.03. In Section 2.02 of the Development Credit Agreement, the following new paragraph (c) is added:

"(c) Except as the Borrower and the Association shall otherwise agree, all amounts withdrawn from the Credit Account or made subject to a special commitment pursuant to Section 5.02 of the General Conditions, shall initially be charged against the First Tranche until that tranche has been exhausted, and shall thereafter be charged against the Second Tranche."

Section 1.04. In Section 2.03 of the Development Credit Agreement, the Closing Date is amended to read as "June 30, 1998".

Section 1.05. A proviso is added at the end of Section 2.04 (b) (i) of the Development Credit Agreement reading as follows:

"; provided, however, that commitment charges on the Second Tranche shall accrue from a date sixty days after the date of the Amending Agreement;". 
Section 1.06. The table in paragraph 1 of Schedule 1 to the Development Credit Agreement is amended to read as set forth in Schedule 1 to this Amending Agreement.

Section 1.07. Schedule 2 to the Development Credit Agreement is amended to read as set forth in Schedule 2 to this Amending Agreement.

ARTICLE II

Amendment of the Project Agreement

Section 2.01. In Recital (A) of the Preamble to the Project Agreement, the reference to the amount of the Credit is amended to read as "one hundred sixty-three million five hundred thousand Special Drawing Rights (SDR 163,500,000)".

Section 2.02. A new Section 2.08 is added to the Project Agreement to read as follows:

"Section 2.08. KWSB shall acquire and have in its possession all land required for Parts A.1(a) and 2 of the Project before seeking the approval of the Association to any procurement contracts proposed to be awarded for those parts of the Project and to be financed out of the proceeds of the Credit."

Section 2.03. A new Section 2.09 is added to the Project Agreement to read as follows:

"Section 2.09. Sindh shall:

(a) in order to ensure the adequate and timely availability of local counterpart funds required for the Project, open and maintain in Rupees for the duration of the Project a project account for KWSB in the National Bank of Pakistan in an amount and on terms and conditions satisfactory to the Association; and

(b) enable the Association’s representatives to examine the records for such project account and furnish to the Association such information concerning such records as the Association shall from time to time reasonably request."
ARTICLE III

Effective Date; Termination

Section 3.01. This Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association: (a) that the execution and delivery of this Amending Agreement on behalf of the Borrower, Sindh, KMC and KWSB have been duly authorized or ratified by all necessary governmental action; (b) that the Subsidiary Loan Agreement has been amended in a manner satisfactory to the Association; and (c) that KMC has, in fulfillment of its obligations under Section 4.02 of the Project Agreement, made adequate cash contributions to KWSB to cover KWSB's total operating expenses, its debt service requirements, increases in its net working capital other than cash and at least 20% of its capital expenditures, all for FY 93.

Section 3.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing: (a) that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, Sindh, KMC and KWSB, respectively, and is legally binding upon each one of them in accordance with its terms; and (b) that the amended Subsidiary Loan Agreement has been duly authorized or ratified by Sindh and KMC and is legally binding upon Sindh and KMC in accordance with its terms.

Section 3.03. This Amending Agreement shall come into force and effect on the date upon which the Association dispatches to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 3.04. If this Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement and the Project Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amending Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN
PROVINCE OF SINDH
KARACHI METROPOLITAN CORPORATION
KARACHI WATER AND SEWERAGE BOARD

By /s/ Agha Ghazanfar
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood
Regional Vice President
South Asia
SCHEDULE 1

Withdrawals of the Proceeds of the Credit

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) for primary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>distribution strengthening</td>
<td>10,200,000</td>
<td>80%</td>
</tr>
<tr>
<td>(b) other works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Equipment</td>
<td>680,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) Consultants'</td>
<td>30,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>services and training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Incremental</td>
<td>600,000</td>
<td>100%</td>
</tr>
<tr>
<td>staff salaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>5,020,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>163,500,000</td>
<td></td>
</tr>
</tbody>
</table>
SCHEDULE 2

Description of the Project

The objectives of the Project are:

(a) to increase the supply of potable water;

(b) to improve sanitary conditions in the City of Karachi (including its low-income and coastal areas) through the improvement of the sewerage services; and

(c) to improve the financial viability, organization and management of KWSB.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Water and Sewerage Works

1. (a) Construction of about 150 km of a parallel transmission system to convey raw Indus River Water from the K-G Canal to a new treatment facility in Northeast Karachi (including completion of related works on the water feeder system);

(b) provision of about 10 km of primary distribution mains in Northeast and Central Karachi; and

(c) repair of the Hub main.

2. Construction of water treatment facilities in Northeast Karachi, including low- and high-lift pumping stations, treated water storage facilities, maintenance and administration buildings and staff housing.

3. Works for:

(a) cleaning and repairing of existing sewers;

(b) rehabilitation of two existing pumping stations;

(c) construction of about 200 km of secondary sewers and five trunk sewers totalling about 40 km; and
(d) construction of three sewerage facilities at Lyari Salt Beds, Korangi and Baldia, and upgrading of existing sewage treatment works in Northeast Karachi.

4. The provision of technical services required for the preparation of the detailed engineering for, and for the procurement, supervision and management of, the works indicated in this Part.

Part B: Equipment and Installation Works

1. Provision and installation of equipment for the new water treatment facilities referred to in Part A (2) above and the new high-lift pumping stations in Northeast Karachi; and for the expansion of the pumping station in Dhabeji.

2. Provision and installation of equipment for the sewerage facilities and works referred to in Part A.3 (d) above.

3. Provision of maintenance vehicles and equipment.

4. The provision of technical services required for the preparation of the detailed engineering for, and for the procurement, supervision and management of, the works indicated in paragraphs (1) and (2) above.

Part C: Institutional Strengthening of KWSB

1. Organization and Management

Provision of: (a) technical services and training for the purposes of improving the organizational structure and functions; developing systems and procedures manuals; assessing training needs and developing an incremental staffing plan; implementing management training; designing the organization of the Development Wing and establishing a project monitoring unit; and preparing a Corporate Plan and an agenda and strategy for a role for the private sector; and

(b) works, technical and management services and training for the purposes of establishing and developing systems and procedures for a training center; identifying and training of a training director; developing and implementing a training program for managers and key technicians; and coordinating training programs.
2. **Finance**

(a) Provision of technical and management services and training to complete computerization work; introduce financial planning, performance targets and multi-year budgeting; improve billing and collection; improve financial reporting and coordination between finance, tax and engineering departments; increase collections; assist in reviewing tariff structure and in implementing recommendations; and develop and manage a consumer education program.

(b) Upgrading of the mainframe computer, and provision of personal computers to the tariff collection divisions.

3. **Water Projects Management and Operation**

Provision of equipment, technical and management services and training to undertake immediate upgrading works on Kalri-Baghar (K-B) Feeder and Kinjher Lake; to train KWSB's engineers in the preparation of detailed engineering, procurement documents, evaluation of bids, supervision of construction and commissioning of works; strengthen leak detection unit and reduce unaccounted for water; undertake a metering study and assist in implementing the recommendations thereof; establish the Development Wing; computerize the information systems for water operations and for the planning, design and construction management functions of the Development Wing; and preparation of study for privatization on an experimental basis of water distribution and sewerage services in high-income areas.

4. **Sewerage Operation**

(a) Provision of technical and management services and training to improve the capacity of KWSB's engineers in sewerage project execution; conduct sewer survey; prepare system mapping and computer-based inventory of sewerage; supervise cleaning and repair of sewers; strengthen the capabilities of KWSB in sewerage operations and management; and computerize the information systems for sewerage operations and management.

(b) Provision of equipment for industrial effluent survey and monitoring.

(c) Provision of technical services to assist in: (i) strengthening the capacity of KSWB and GOS in enforcing the Sind
Local Government Ordinance of 1979 and the Pakistan Environmental Protection Ordinance of 1983 with respect to the control of waste water and industrial effluent in Karachi; and (ii) establishing the Sind Environmental Protection Agency.

*     *     *

The Project is expected to be completed by December 31, 1997.
INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

[Signature]

FOR SECRETARY