Financing Agreement
(Additional Financing for the Water Sector Capacity Building and Advisory Services Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 27, 2016
FINANCING AGREEMENT

AGREEMENT dated January 27, 2016, entered into between ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). 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 — FINANCING

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 equivalent to twenty five million one hundred thousand Special Drawing Rights (SDR 25,100,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are March 15 and September 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is the Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Part A.1 (for the benefit and with the participation of the Provinces of Punjab, Sindh and Baluchistan, respectively), Part A.2 (for the benefit and with the participation of IRSA), Part B (for the benefit and with the participation of WAPDA) and Part C of the Project, through the PMPIU; and Part A.4 of the Project through its Planning, Development and Reform Division; all, in accordance with the provisions of Article IV of the General Conditions.

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 Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.02. 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: 248423 (MCI)
Facsimile: 1-202-477-6391
AGREED at Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By

[Signature]

Authorized Representative

Name: Tariq Bajwa
Title: Secretary, Economic Affairs Division
Government of Pakistan
Islamabad

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Patchamuthu Illangovan
Title: Country Director, Pakistan
SCHEDULE 1

Project Description

The objective of the Project is to improve the management and investment planning of water resources in the Indus River system.

The Project consists of the following parts:

Part A: Capacity Building and Support of Federal and Provincial Institutions in Water Resources Planning and Management

1. Capacity Building in planning, development and testing of water resources infrastructure.

Upgrading (through staffing, training, software and hardware improvement) and modernizing existing facilities, including: (i) upgrading the Nandipur irrigation research station (Punjab Province); (ii) up-grading and strengthening the capacity of the soil mechanics hydraulic research laboratories of the Directorate for Research and Hydrology in Hyderabad and Karachi (Sindh Province); and (iii) establishing modern and computerized laboratories for survey, drawing and soil testing at the Irrigation Unit/Division (Baluchistan Province).

2. Capacity Building in system planning, management and operation.

Increasing transparency in the interprovincial water allocation system and contributing to improved water conveyance efficiency in the Indus basin irrigation system, through: (i) flow measurements; and (ii) analysis of seasonal and monthly water balance between several reaches in the Indus main stem and Jhelum-Chenab zones.

3. Intentionally omitted.

4. Capacity Building for the Planning, Development and Reform Division (Water Section).

Establishing an international center at or through the Planning, Development and Reform Division for water issues and national and international coordination and cooperation.

Part B: Improvement in Water Resources Management and Development

1. Upgrading (through staffing, training, software and hardware improvement) tools, water resources databases, management systems and models, including: (i) developing methodology, techniques and procedures to carry out the study for the development of seasonal and 10-daily forecasts for River Chenab at Marala and River Kabul at Nowshera; and (ii) establishing an integrated office management system at WAPDA to enhance its water and energy development and management capacity.
2. *Intentional omitted.*

3. Strengthening WAPDA's capacity for hydropower planning, asset management plans, dam safety inspections and studies, by upgrading (through staffing, training, software and hardware improvement) the concrete, cement, steel and soil dynamics lab of its Central Material Testing Laboratory.

4. Carrying out Eligible Studies for the implementation of the Recipient's Indus Cascade Hydropower Development Plan.

**Part C: Project Management and Additional Studies**

1. Supporting the day-to-day implementation of the Project, including the technical coordination of Project activities, compliance with financial and procurement management, and monitoring, evaluation, supervision and reporting requirements;

2. Carrying out strategic studies, including: (i) for the upgrading of the capacity of the Federal Flood Commission in managing floods; and (ii) for the upgrading of the Master Plan of Flood Management of Hill Torrents of Pakistan and feasibility studies for check/recharge dams in the Suleiman Range and the Marri Bugti Hill Torrent; as well as (iii) any other Eligible Studies approved by the Project Steering Committee; and

3. Providing technical assistance, capacity building and training in the areas such as monitoring and evaluation, dam safety, procurement and project management.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient has established, and shall maintain throughout the implementation of the Project:

   (a) the Project Steering Committee (PSC), chaired by the Secretary of MoWP, and comprised, *inter alia*, of the Secretaries of the Recipient’s ministries responsible for national food security and research climate change, respectively, a member of the Planning, Development and Reform Division, the Chairmen of IRSA and WAPDA, the Advisor to MoWP, Project Director of the PMPIU, and the Provincial Secretaries of Irrigation and Power; which steering committee has been assigned with such functions, powers, resources and competencies, satisfactory to the Association, as required for the overall policy guidance and general oversight of Project implementation; and

   (b) the Project Management and Policy Implementation Unit (PMPIU) within the MoWP, vested with the responsibility of the daily management and coordination of Project fiduciary obligations in cooperation with WAPDA, the Planning, Development and Reform Division and IRSA. The PMPIU is: (i) headed by a Project Director (who also serves as the Secretary to the Steering Committee), assisted by, *inter alia*, a procurement specialist, finance and business specialists, and an accountant/administrative officer, all of whose qualification and experience shall be acceptable to the Association and under terms of reference satisfactory to the Association; and (ii) assigned with such functions, powers, resources, and competencies, satisfactory to the Association, as shall be required to achieve its purposes.

2. The Recipient shall ensure that each of IRSA, WAPDA and the Planning, Development and Reform Division designate one (1) or more technical officers, with skill and experience and terms of reference acceptable to the Association, to serve as liaison officer(s) with the PMPIU and in-house focal person(s) for purposes of the implementation of the respective agencies components and sub-components.

3. (a) The Recipient shall and/or shall cause IRSA, WAPDA and the Planning, Development and Reform Division to: (i) implement the Project in accordance with the Standard Operating Procedures and the Procurement Manual, and (ii) except as the Association shall otherwise agree, shall not amend, abrogate, waive, suspend, or allow IRSA, Planning, Development and Reform Division or WAPDA to amend, abrogate, waive or suspend any provisions thereof, whether
in whole or in part, if in the opinion of the Association, such amendment, abrogation, waiver or suspension may materially and adversely affect the implementation of the Project.

(b) In case of inconsistency between the provisions of the Standard Operating Procedures or the Procurement Manual and those of this Agreement, the provisions of this Agreement shall prevail.

B. Anti-Corruption

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

C. Safeguards

1. The Recipient shall ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Association Policies, as well as the Recipient's own laws relating to the environment and social aspects relevant to the Project.

2. The Recipient shall ensure that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents.

3. The Recipient shall ensure to the satisfaction of the Association that all activities under the Project: (i) do not have any significant, irreversible or long-term environmental or social impacts; (ii) do not involve any green field construction; (iii) do not involve any works in protected areas or in or around sensitive natural habitats; (iv) do not cause any degradation of forestry or damage to physical or cultural resources; (v) do not involve work on any flood infrastructure; (vi) do not trigger the requirement under the Recipient's Environmental Protection Act (1997) as amended and relevant guidelines that an environmental impact assessment be carried out; and (vii) do not result in Displaced Persons.

4. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any of the entity participating in the implementation of the Project to do so.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall 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.
6. The Recipient shall 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.

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.

D. 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 year of Project implementation, of such scope and detail as the Association shall have reasonably requested;

(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; and

(c) the terms of reference for each study proposed as an Eligible Study for financing under the Project and included in an Annual Work Plan, demonstrating why in the Recipient's view it meets the Eligible Study requirements.

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) and (c) 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 draft 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 written approval. In the event that any provision of any Annual Work Plan and Budget shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 (1) month after the end of the period covered by such report.

2. Mid-term Review.

The Recipient shall:

(a) carry out jointly with the Association not later than thirty (30) months after the Effective Date, or such other period as may be agreed with the Association, a mid-term review of the Project to assess the status of Project implementation, as measured against the indicators set forth in the Standard Operating Procedures and the legal covenants included in this 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 and reallocate funds to improve performance.

(b) to this end, prepare and furnish to 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 this Schedule, 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 the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.
B. 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. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar semester (six-month-period), interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Recipient shall have its 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 fiscal year of the Recipient. 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.

Section III. Procurement

A. General

1. Goods, Minor Works and Non-consulting Services. All goods, Minor Works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing 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 Financing 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, Minor 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, Minor Works and Non-consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, Minor Works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be
used: (a) National Competitive Bidding, subject to the additional provisions set forth in the Attachment 2 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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used: (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; (g) Single-source procedures for the Selection of Individual Consultants; and (h) Selection of UN Agencies pursuant to Section 3.15 to provide technical assistance and advice in their area of expertise.

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. **Grievance Redress 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 Financing**

A. **General**

The Recipient may withdraw the proceeds of the Financing 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 100% (inclusive of Taxes) of Eligible Expenditures, consisting of goods, Minor Works, non-consulting services, consultants’ services, Training and Operating Costs for the Project.

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 5,000,000 may be made for payments made prior to this date but on or after October 1, 2015, for Eligible Expenditures.

2. The Closing Date is June 30, 2021.
ATTACHMENT 1 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 Rules 5 and 20 through 36(a) of the Federal Public Procurement Rules (2004) (S.R.O. 432(I)/2004), with the following additional requirements set forth below in order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 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 out 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 and not on the basis of composite schedule of rates.

(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

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing March 15, 2021 to and including September 15, 2030</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing March 15, 2031 to and including September 15, 2040</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
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.


3. "Association Policies" means the operational policies, procedures, guidelines and instructions governing the operations of the Association, which can be found at www.worldbank.org/operational manual, or such other location as may be notified by the Association to the Recipient from time to time.


5. "Displaced Person" means a person who, on account of the execution of an activity under the Project, has experienced or would experience direct economic and social impacts caused by: (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 such 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 such person; and "Displaced Persons" means all such persons.

6. "Eligible Study" means: (a) a feasibility study under Part B.4 of the Project; or (b) another study approved by the Project Steering Committee under Part C.2(iii) of the Project; in each case which cumulatively meets the following four criteria to the satisfaction of the Association: (i) it does not trigger the requirement to notify riparians under OP 7.50 (Projects on International Waterways) of the Association Policies; (ii) it does not trigger OP 7.60 (Project in Disputed Areas) of the Association Policies; (iii) its terms of reference include an examination of potential riparian issues; and (iv) the Association has confirmed in writing that its scope and terms of reference are acceptable to the Association for financing under the Project.

7. "Environmental and Social Management Plan" means the Recipient’s document entitled “Environmental and Social Management Plan (ESMP) for Strengthening and Upgrading Provincial Research Laboratories” and dated August 2015, that details: (i) the measures to be taken during the implementation and operation of Project activities to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels; and (ii) the actions needed to implement these measures, as the same
may be amended from time to time in accordance with Section I.C.4 of Schedule 2 to this Agreement.

8. "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.

9. "GRM" means a grievance redress mechanism.

10. "Indus Cascade Hydropower Development Plan" means the Recipient’s plan incorporated in the National Power System Expansion Plan – 2011-2030 carried out by the National Transmission and Despatch Company Limited.

11. "IRSA" means the Recipient’s Indus River System Agency, i.e. the authority responsible for the regulation and distribution of surface waters among the Recipient’s provinces pursuant to the Water Apportionment Accord of 1991, and any successor thereto.


13. "Mid-term Review" is defined in Section II.A.2 of Schedule 2 to this Agreement.

14. "Minor Works" means works (as such term is used in the Procurement Guidelines) which meet the following criteria to the satisfaction of the Association: the works do not trigger the Association Policy OP/BP 4.12 (Involuntary Resettlement).


16. "Operating Costs" means the reasonable incremental operating expenses incurred by PMPIU, Planning, Development and Reform Division, IRSA and WAPDA, as the case may be, for the Project implementation, management and monitoring, including operation and maintenance costs of office, vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, public awareness-related media expenditures, travel and supervision costs, per diem, additional staff costs, but excluding the salaries of officials and public servants of the Recipient’s civil service and members of WAPDA’s and IRSA’s staff.

17. "Original Financing Agreement" means the financing agreement for a Water Sector Capacity Building and Advisory Services Project between the Recipient and the Association, dated July 14, 2008 as amended to the date of this Agreement (Credit No. 4437).

18. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.
19. "Planning, Development and Reform Division" means the division established under the Recipient's Ministry responsible for planning, development and reform, and any successor thereto.

20. "PMPIU" means the Project management and policy implementation unit established by the Recipient within the MoWP in accordance with Section A.1(b) of Schedule 2 to the Original Financing Agreement, by notification of the MoWP dated April 2, 2007.


22. "Procurement Manual" means the manual dated May 12, 2008, prepared by the PMPIU in terms and manner satisfactory to the Association, and adopted by the Recipient and WAPDA for the implementation of the Original Project; updated for the application of the Procurement Guidelines and the Consultant Guidelines on November 19, 2015; and applicable to the Project; which manual sets forth, inter alia: (i) the processing and approval procedures to be followed by WAPDA, IRSA and the PMPIU in the procurement of goods, works and services under the Project; (ii) the allocation of procurement responsibilities, including the constitution of evaluations committees and designation of appointing authorities; and (iii) the timeframe and criteria for procurement approvals/reviews.

23. "Procurement Plan" means the Recipient's procurement plan for the Project, dated November 18, 2015 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.

24. "Project Steering Committee" or "PSC" means the Project steering committee established by the Recipient within the MoWP pursuant to Section A.1(a) of Schedule 2 to the Original Financing Agreement, by decision of the MoWP dated March 12, 2008.

25. "Safeguard Documents" means, collectively, the Environmental and Social Management Plan, as well as any document prepared in application of the Environmental and Social Management Plan, if any.

26. "Standard Operating Procedures" means the procedural guidelines adopted by the Recipient, WAPDA, the Planning, Development and Reform Division and IRSA, for the standardization of financial management of contracts payments and settlements, the protocols for the withdrawals of funds and internal control mechanisms.

27. "Training" means the training of persons involved in Project-supported activities, such term including seminars, workshops, conference and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs of securing the services of trainers, rental of training facilities, preparation and reproduction of training materials and other costs directly related to course preparation and implementation.

29. "Water Apportionment Accord" means the agreement (accord) entered in 1991 among the provinces of the Recipient for the allocation and management of water resources of the Indus River System among the provinces.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge 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. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. 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 shall be computed on the basis of a 360-day year of twelve 30-day months."

5. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

6. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

7. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

8. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).