Financing Agreement

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

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 11, 2015
FINANCING AGREEMENT

AGREEMENT dated March 11, 2015, 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; INTERPRETATION

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, the Original Financing Agreement, or in the Appendix to this Agreement.

1.03. For greater clarity and the avoidance of doubt, in case of incorporation of specific provisions of the Original Financing Agreement in this Agreement, if the Original Financing Agreement terminates prior to the termination of this Agreement, such termination shall have no effect for purposes of this Agreement, and the provisions of the Original Financing Agreement incorporated in this Agreement shall continue in full force and effect between the Association and the Recipient for purposes of this Agreement following and notwithstanding such termination.

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 ninety-three million one hundred thousand Special Drawing Rights (SDR 93,100,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 April 1st and October 1st 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 Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity, through SIDA, in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that the Ordinance has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity or other any Implementing Agency to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.
ARTICLE V — EFFECTIVENESS; TERMINATION

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

5.02. 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 (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Secretary to the Government of Pakistan, Economic Affairs Division, Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division, each such person acting individually.

6.02. The Recipient’s Address is:

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

Facsimile:

92-51-921-8976

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

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

ISLAMIC REPUBLIC OF PAKISTAN

By

Authorized Representative

Name: Muhammad Salim Sethi
Title: Secretary, EAD, Govt. of Pakistan

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Rachel Benmelech
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency and effectiveness of irrigation water distribution in Ghotki AWB, Nara AWB, and Left Bank AWB, all in the Province of Sindh, particularly with respect to measures of reliability, equity and user satisfaction.

The Project consists of the Original Project.
SCHEDULE 2
Project Execution

Section I  Implementation Arrangements

A. On-lending Arrangement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity, and through the Project Implementing Entity to SIDA, under the same terms and conditions as under which they are made available by the Association to the Recipient and in accordance with the Recipient’s on-lending and budgetary policies and procedures.

2. Notwithstanding the preceding paragraph, in the event of a conflict between the on-lending and budgetary policies and procedures of the Recipient or the on-lending agreement between the Project Implementing Entity and SIDA, and the provisions of this Agreement, including such additional instructions as the Association shall have specified by notice to the Recipient pursuant to Section IV.A.1 of this Schedule, the provisions of this Agreement, including said additional instructions, shall govern.

3. The Recipient shall exercise its rights under the on-lending arrangements referred to in paragraph 1 of this Part B in such manner as to protect its interests and those of the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive its rights under said arrangements.

B. Anti-Corruption

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

C. Safeguards

1. The Recipient shall cause the Project Implementing Entity and SIDA to ensure that the Project is carried out in accordance with the provisions of Section I.D of the Schedule to the Original Project Agreement.

2. 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 Implementing Agencies or any other entity participating in the implementation of the Project to do so.
3. 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.

4. 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.

Section II Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in the PIP. Each Project Report shall cover the period of one (1) 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.

B. Semi-Annual Reviews

The Recipient shall review jointly with the Association, the Project Implementing Entity and SIDA, not later than one (1) month after the submission of every second Project Report to the Association, such report and the one preceding, and thereafter cause the Project Implementing Entity and SIDA to take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such reports and the Association’s views on the matter.

C. Midterm Review

The Recipient shall:

(a) carry out jointly with the Association, the Project Implementing Entity and SIDA, not later than twenty (20) months after the Effective Date, or such other period as may be agreed with the Association, a midterm review to assess the status of Project implementation, as measured against the indicators set forth in the PIP. Such review shall include, without limitation, 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 the Safeguards Documents; (v) implementation arrangements; and (vi) the need to make any adjustments to the Project and reallocate funds to improve performance;

(b) to this end, cause the Project Implementing Entity and SIDA to prepare and furnish to the Recipient and the Association, at least one (1) month before such review, a report, in scope and detail satisfactory to the Association and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.A.1 of the Schedule to the Project Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(c) review jointly with the Association, the Project Implementing Entity and SIDA the report referred to in the preceding paragraph and thereafter cause the Project Implementing Entity and SIDA to take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

D. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity and SIDA to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause the Project Implementing Entity and SIDA to have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity and SIDA. 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, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

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

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

2.  Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures which have been found acceptable to the Association.
C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

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

D. Review by the Association of Procurement Decisions

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

E. Transitional Provisions in respect of Procurement

Notwithstanding the terms and conditions of the Original Financing Agreement and to the extent that the procurement of any goods, works, non-consulting services or consultants’ services to be financed, at least in part, out of the proceeds of the Original Financing was or will be initiated on or after November 26, 2014, the Recipient acknowledges and agrees that the provisions of this Agreement set forth or referred to in Section III (Procurement) of this Schedule (including the related provisions under the General Conditions) shall apply to the procurement of such goods or consultants’ services.

Section IV Withdrawal of the Proceeds of the Financing

A. General

1. 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 Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to such Category, and the percentage of expenditures to be financed for Eligible Expenditures in such Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants' services (including for audits), Operating Costs, and Training for the Project</td>
<td>93,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>93,100,000</td>
<td></td>
</tr>
</tbody>
</table>

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.

2. The Closing Date is December 31, 2018.
ANNEX TO SCHEDULE 2

National Competitive Bidding: Additional Provisions

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those set out in Rules 4 to 15, 17, 20 to 26, 29, 30, and 41 to 45 of the Project Implementing Entity’s Public Procurement Rules (2010) (SROI (SGA&CD) 2-30/2010), with the additional provisions set forth below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. In the event of a conflict between the Recipient’s procedures and the additional provisions set forth below, the latter shall govern.

(i) Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.

(ii) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.

(iii) Foreign bidders shall not be precluded from bidding, and no preference of any kind shall be given to national bidders in the bidding process.

(iv) Bidding shall not be restricted to pre-registered firms.

(v) Qualification criteria shall be stated in the bidding documents.

(vi) Bids shall be opened in public, immediately after the deadline for the submission of bids.

(vii) Single bids shall also be evaluated.

(viii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior written agreement of the Association.

(ix) Before rejecting all bids and soliciting new bids, the Association’s prior written agreement shall be obtained.

(x) Contracts shall not be awarded on the basis of nationally negotiated rates.
(xi) Bids shall be solicited and works contracts awarded on the basis of unit prices.

(xii) Contracts shall be awarded to the lowest evaluated and qualified bidder.

(xiii) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidder.

(xiv) Draft contracts shall be reviewed by the Association in accordance with Prior Review procedures.

(xv) A firm declared ineligible by the Association (or by an international financing institution with which the Association has signed an agreement for the mutual enforcement of debarment decisions), 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 April 1st and October 1st: commencing April 1, 2020 to and including October 1, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing April 1, 2030 to and including October 1, 2039</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


2. “AWB” means an Area Water Board established at the level of a main canal and operating in accordance with the Ordinance.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


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; “Displaced Persons” means all such persons.

6. “Fiscal Year” means the Recipient’s, the Project Implementing Entity’s and SIDA’s fiscal year, each beginning on July 1 of a calendar year and ending on June 30 of the following calendar year.

7. “FO” means a Farmer’s Organization, formed or to be formed at the level of a distributary/minor canal and registered under the Ordinance which is participating in the implementation of the Project.

8. “Fullei Canal System” means a canal system serving part of the Left Bank AWB.

9. “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.
10. "Ghotki AWB" means the Area Water Board responsible for water resource management in the area commanded by Ghotki canal in the Province of Sindh, which is participating in the implementation of the Project.

11. "Ghotki Canal System" means a canal system serving part of the Ghotki AWB.

12. "Guddu Barrage" means the first major structure on the Indus River as it enters the Province of Sindh, which diverts water to canals.

13. "IDMTA" means an Irrigation and Drainage Management Transfer Agreements to be entered into between AWBs and an FO for purposes of implementing the Project.

14. "Implementing Agencies" means SIDA, FOs, AWBs, PCMU or any other entities responsible for implementing any activities under the Project.


16. "IPD" means the Irrigation and Power Department of the Province of Sindh, or any successor thereto.

17. "Kotri Barrage" means the second major structure on the Indus River as it enters the Province of Sindh, which diverts water to canals.

18. "Left Bank AWB" means the Area Water Board responsible for water resource management in the area commanded by Fuleli and Akramwah canals in the Province of Sindh, which is participating in the implementation of the Project.

19. "Left Bank Outfall Drainage" means the drainage system running through Sindh consisting of a spinal drain and a tidal link designed to convey saline drainage water from the spinal drain to the Arabian Sea.
20. "Nara AWB" means the Area Water Board responsible for water resource management in the Nara canal in the Province of Sindh, which is participating in the implementation of the Project.

21. "Operating Costs" means the salaries and allowances and other emoluments of SIDA, AWB and PCMU staff recruited in accordance with a staffing plan acceptable to the Association for the purposes of the Project, the operating and maintenance and/or rental costs of vehicles, equipment and office premises acquired under and/or used in the carrying out of the Project, bank charges, and the costs of advertising in the media for bids and other purposes of the Project, excluding salaries of civil servants of the Recipient and the Project Implementing Entity.

22. "Ordinance" means the Sindh Water Management Ordinance, 2002 (No. XL of 2002), as may be amended from time to time.

23. "Original Financing" means the credit in an amount equivalent to one hundred million one hundred thousand Special Drawing Rights (SDR 100,100,000) extended by the Association to the Recipient for the Original Project (as hereinafter defined) pursuant to the Original Financing Agreement (as hereinafter defined).

24. "Original Financing Agreement" means the financing agreement for the Sindh Water Sector Improvement Phase-I Project (Credit No. 4358-PAK) between the Recipient and the Association, dated October 5, 2007, as amended to the date of this Agreement.

25. "Original Project" means the Project described in the Original Financing Agreement.

26. "Original Project Agreement" means the project agreement for the Sindh Water Sector Improvement Phase-I Project (Credit No. 4358-PAK) between the Association and the Project Implementing Entity, dated October 5, 2007.

27. "PCMU" means the Project Coordination and Monitoring Unit established and operating within the Planning and Development Department referred to in paragraph A.5 of Section I of the Schedule to the Project Agreement.

28. "Pest Management Plan" means the Project Implementing Entity's pest management plan approved and adopted on October 27, 2003 for its On-Farm Water Management Project, setting forth, inter alia, the measures to promote and support safe, effective and environmentally sound pest management.
29. "PIP" means the Project Implementing Entity’s Project Implementation Plan, dated December 2006, satisfactory to the Association, including any amendments made to such plan from time to time with the Association’s approval, setting forth or referring to the policies, principles and procedures for carrying out the Project, including performance indicators and monitoring and evaluation guidelines, administrative, accounting and financial procedures, procurement and disbursement guidelines, an environment framework and eligibility criteria, guidelines and procedures for implementing Sub-Projects for Distributaries and Minor Canals.

30. "Planning and Development Department" means the Planning and Development Department of the Province of Sindh, or any successor thereto.

31. "PMCA" means the Project Management Consultants/Procurement Agent referred to in paragraph A.6 of Section I of the Schedule to the Project Agreement to be based in PCMU for purposes of implementing the Project.


33. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated October 15, 2014 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.

34. "Project Implementing Entity" means the Province of Sindh.

35. "Project Steering Committee" means the committee established in Sindh for the provision of overall policy and strategic guidance under the Project, as referred to in paragraph 7 of Section I.A of the Schedule to the Project Agreement.

36. "Safeguard Documents" means, collectively, the Pest Management Plan, the Integrated Social and Environmental Assessment, the environmental management plans prepared in accordance with the Integrated Social and Environmental Assessment, if any, the resettlement action plans prepared in accordance with the Social Impact Management Framework, if any.

37. "SIDA" means Sindh Irrigation and Drainage Authority, established under the Ordinance.
38. “Sindh” means the Recipient’s Province of Sindh.


40. “Sub-Projects for Distributaries and Minor Canals” means projects or schemes for the rehabilitation and improvement of distributaries and minor canals to be carried out by FOs with the technical assistance of SIDA and AWBs under Part B.2 of the Project, which meet the eligibility criteria set out in the PIP to receive financing under the Project.

41. “Sukkur Barrage” means the second major structure on the Indus River as it enters the Province of Sindh, which diverts water to canals.

42. “Training” means the cost of training under the Project, on the basis of the annual work plans and budgets referred to in Section I.C.2 of the Schedule to the Project Agreement, attributable to courses, seminars, study tours, and workshops, along with the cost of domestic and international travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation.

43. “Transparency International” means Transparency International Pakistan, a non-governmental organization registered and operating under the Pakistan Trust Act 1882, with which the Project Implementing Entity has entered into a memorandum of understanding for purposes of monitoring the procurement processes under the Project.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified 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.”

2. 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".

3. 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).”

4. 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”.

5. 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).