

CONFORMED COPY

CREDIT NUMBER 2558 PAK

Project Agreement

(Sindh Special Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF SINDH  
and  
KARACHI DEVELOPMENT AUTHORITY  
and  
KARACHI METROPOLITAN CORPORATION

Dated March 10, 1994

CREDIT NUMBER 2558 PAK

PROJECT AGREEMENT

AGREEMENT, dated March 10, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and PROVINCE OF SINDH acting by its Governor (Sindh) and KARACHI DEVELOPMENT AUTHORITY (KDA) and KARACHI METROPOLITAN CORPORATION (KMC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Islamic Republic of Pakistan (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to thirty-three million three hundred thousand Special Drawing Rights (SDR 33,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Sindh, KDA and KMC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) the proceeds of the credit provided for under the Development Credit Agreement will be made available to Sindh for use by Sindh and by KDA and KMC; and

WHEREAS Sindh, KDA and KMC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Sindh, KDA and KMC declare their commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and urban environment practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and Sindh, KDA and KMC shall otherwise agree, Sindh, KDA and KMC shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

(c) Sindh, KDA and KMC shall, for the purposes of their respective activities under the Project, open and maintain in dollars special deposit accounts in the National Bank of Pakistan on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. Sindh, KDA and KMC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and their respective activities under the Project.

Section 2.04. (a) Sindh, KDA and KMC shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of their obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) Sindh, KDA and KMC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by Sindh, KDA and KMC of their obligations under this Agreement.

ARTICLE III

Management and Operations of KDA and KMC

Section 3.01. KDA and KMC shall carry on their operations and conduct their affairs in accordance with sound administrative, financial, engineering and local government practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. KDA and KMC shall at all times operate and maintain their plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and local government practices.

Section 3.03. KDA and KMC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) Sindh, KDA and KMC shall maintain records and accounts adequate to reflect in accordance with sound accounting practices their respective operations and financial condition in respect of the Project.

(b) Sindh, KDA and KMC shall:

- (i) have such records and accounts including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts as well as the audit thereof, as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, Sindh, KDA and KMC shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until one year after the Association has received the audit report for the fiscal year in which the last disbursement from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. Sindh shall: (a) not later than January 31 in each year, beginning 1994, review with the Association compliance by Sindh with its annual budget; and (b) in accordance with an action plan satisfactory to the Association, take measures to eliminate

Sindh's recurrent budget deficit by FY98.

Section 4.03. Sindh shall, in accordance with an action plan satisfactory to the Association, complete the revaluation of properties located in Karachi by June 30, 1996, on a basis for property valuation satisfactory to the Association.

#### ARTICLE V

Effective Date; Termination;  
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of Sindh, KDA and KMC thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Sindh, KDA and KMC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

For Sindh:

Chief Secretary  
Government of Sindh  
New Sindh Secretariat  
Karachi, Pakistan

Cable address:

CHIEFSEC SINDH  
KARACHI

For KDA:

Karachi Development Authority  
Civic Center  
University Road  
Gulshan-e-Iqbal  
Karachi-5, Pakistan

Cable address:

KEYDA  
KARACHI

Telex:

25744 KDA PK

For KMC:

Karachi Metropolitan Corporation  
M. A. Jinnah Road  
Karachi, Pakistan

Cable address:

CORPORATION  
KARACHI

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Sindh or KDA or KMC, or by Sindh or KDA or KMC on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Chief Secretary in the case of Sindh, by the Director General in the case of KDA and by the Administrator/Mayor in the case of KMC or such other person or persons as each of them shall designate in writing, and each of them shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this 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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood

Regional Vice President  
South Asia

PROVINCE OF SINDH  
KARACHI DEVELOPMENT AUTHORITY  
KARACH METROPOLITAN CORPORATION

By /s/ Agha Ghazanfar

Authorized Representative

SCHEDULE 1  
Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other international recognized standards forms agreed with the Association.

2. Bidders for works shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Pakistan may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, Sindh, KDA or KMC, as the case may be, may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

Works included in Parts B.1 (b) and B.2 of the Project, and equipment and vehicles estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$3,100,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract proposed to be awarded in accordance with the procedures referred to in Part A.1 hereof, each contract for works estimated to cost the equivalent of \$500,000 or more and proposed to be awarded in accordance with the procedures referred to in Part D hereof, and each contract for equipment and vehicles estimated to cost the equivalent of \$200,000 or more and

proposed to be awarded in accordance with the procedures referred to in Part D hereof, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II: Employment of Consultants

1. In order to assist Sindh, KDA and KMC in carrying out the Project, Sindh, KDA and KMC shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, Sindh, KDA and KMC shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, Sindh, KDA and KMC shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

#### SCHEDULE 2

##### Implementation Program

#### 1. Project Implementation

Responsibility for implementation of the Project shall be assigned as follows:

(a) for Parts A.1, A.2, B.1, D.1, E.1 and E.2 (a), (b), (c) and (d) of the Project, to KDA;

(b) for Part D.2 of the Project, to KMC;

(c) for Part B.2 of the Project, to LG&RD, with the assistance of the municipal governments of the Interior Cities;

(d) for Part C.1 (a), (b) and (f) of the Project, to E&T;

(e) for Parts C.1 (c), (d) and (e) of the Project, to BOR in association with KDA;

(f) for Part C.2 of the Project, to P&D in association with FD;

(g) for Part C.3 of the Project, to FD in association with P&D; and

(h) for Parts E.2 (e) and E.3 of the Project, to KDA in association with SEPA.

## 2. Project Coordination

(a) Of Property Tax and Financial Management Reform Components

(i) EXPACO shall be responsible for coordinating the activities to be carried out under Parts C and D of the Project.

(ii) EXPACO shall be headed by a senior professional reporting directly to the Chief Secretary of Sindh, and shall be staffed by other government officers and officers employed from the private sector, all with experience and qualifications satisfactory to the Association.

(b) Of Physical Investment and Investment Planning and Budgeting Reform Components

(i) PPU shall be responsible for the overall supervision, coordination and monitoring of: (aa) the physical investments to be made under Parts A and B of the Project; and (bb) the studies to be carried out under Part E of the Project. In that capacity, PPU shall report to the Borrower, Sindh, and the Association on general progress of Project implementation, including the status of disbursements. PPU shall also provide administrative support to EXPACO.

(ii) PPU shall be headed by a senior professional with qualifications and experience satisfactory to the Association, and shall be staffed with personnel from both the private and the public sectors, as agreed with the Association.

## 3. Action Plans

Sindh shall, not later than March 31 and September 30 in each year, review with the Association progress in implementing the fiscal and administrative reforms described in the Policy Statement, and shall thereafter, not later than December 31 in each year, make such adjustments in the associated action plans for implementing such reforms as shall be warranted in the light of such reviews and agreed with the Association.

## 4. Resettlement Plan

Sindh and KMC shall ensure that any persons displaced or to be displaced as a result of the acquisition of any land by Sindh and KMC or any other agency or authority for the purposes of the Project shall be compensated and/or resettled in accordance with a land



acquisition and resettlement plan satisfactory to the Association.

5. Progress Reports

Sindh shall, through PPU and not later than thirty days after the end of each quarter of each year of Project implementation, furnish to the Association consolidated progress reports on the Project for such quarter in form and substance satisfactory to the Association.

6. Mid-term Review

Sindh shall with the participation of the Association and not later than September 30, 1995, carry out a mid-term review of the Project, and shall make such adjustments in the activities to be carried out under the Project and in the related organizational and institutional arrangements as shall be warranted in the light of such review and agreed with the Association.

SCHEDULE 3  
Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to the Development Credit Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to the Development Credit Agreement; and

(c) the term "Authorized Allocation" means, in respect of Sindh, an amount equivalent to \$700,000 to be withdrawn from the Credit Account and deposited into the Sindh Special Account; in respect of KDA, an amount equivalent to \$2,000,000 to be withdrawn from the Credit Account and deposited into the KDA Special Account; and in respect of KMC, an amount equivalent to \$300,000 to be withdrawn from the Credit Account and deposited into the KMC Special Account, all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, Sindh, KDA or KMC, as the case may be, shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of Sindh, KDA or KMC, as the case may be, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as Sindh, KDA or KMC, as the case may be, shall have requested.

(b) (i) For replenishment of the Special Account, Sindh, KDA or KMC, as the case may be, shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, Sindh, KDA or KMC, as the case may be, shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in

respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of Sindh, KDA or KMC, as the case may be, withdraw from the Credit Account and deposit into the Special Account such amount as Sindh, KDA or KMC, as the case may be, shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by Sindh, KDA or KMC, as the case may be, out of a Special Account, Sindh, KDA or KMC, as the case may be, shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by Sindh, KDA or KMC, as the case may be, directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for activities under the Project for which Sindh, KDA or KMC, as the case may be, is responsible less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to such activities under the Project, shall equal the equivalent of twice the amount of the relevant Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for such activities under the Project shall follow such procedures as the Association shall specify by notice to Sindh, KDA or KMC, as the case may be. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, Sindh, KDA or KMC, as the case may be, shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until Sindh, KDA or KMC, as the case may be, has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, Sindh, KDA or KMC, as the case may be, shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) Sindh, KDA or KMC may, as the case may be, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

