

CONFORMED COPY

CREDIT NUMBER 4947-PK

Project Agreement

(Sindh Skills Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF SINDH

Dated October 21, 2011

PROJECT AGREEMENT

AGREEMENT dated October 21, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the PROVINCE OF SINDH (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the ISLAMIC REPUBLIC OF PAKISTAN (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Component 1 of the Project through BBSYDP, and Components 2 and 3 of the Project through STEVTA, all in accordance with the provisions of Article IV of the General Conditions, and shall provide BBSYDP and STEVTA, promptly as needed, the funds, facilities, services and other resources required for their respective components under the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Additional Chief Secretary (Development), of the Planning and Development Department of the Province of Sindh.

4.02. The Association's Address is:
International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Planning and Development Department
Government of Sindh
2nd Floor, Secretariat II
Tughlaq House
Karachi, Province of Sindh
Islamic Republic of Pakistan

Facsimile:
92-21-9921192

AGREED at, Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s/ Racid Benmessaoud

Authorized Representative

PROVINCE OF SINDH

By/s/ Malik Asrar Hussain

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project Implementing Entity shall vest the responsibility for overall implementation of the Project in the P&DD which shall delegate the day-to-day management of Project activities to: (i) BBSYDP for purposes of Component 1 of the Project; and (ii) STEVTA for purposes of Components 2 and 3 of the Project, in a manner and substance satisfactory to the Association. To this end, the Project Implementing Entity shall:

- (a) maintain throughout the period of implementation of the Project the Sindh Skills Development Leadership Team, chaired by the Additional Chief Secretary. P&DD, with representation from the heads of BBSYDP and STEVTA, as well as other relevant officials that the chair considers appropriate/necessary for the strategic policy guidance and oversight of the implementation of the three (3) components of the Project;
- (b) cause BBSYDP to maintain, throughout the period of implementation of the Project, a Provincial Steering Committee with representation from the private sector and the provincial government, under terms of reference set forth in the BBSYDP Operations Manual, in order to provide with strategic leadership, policy guidance and general oversight to BBSYDP in the carrying out of Component 1 of the Project;
- (c) cause BBSYDP to maintain, throughout the period of implementation of the Project, a Provincial Coordination Unit headed by an experienced Project Coordinator, acceptable to the Association, and: (i) provided with adequately qualified staff, in sufficient numbers, under terms of reference satisfactory to the Association; and (ii) vested with adequate powers, functions, authority and resources, acceptable to the Association, in order to manage and coordinate the day-to-day implementation of activities and compliance with the fiduciary requirements for Component 1 of the Project;
- (d) maintain throughout the period of implementation of the Project, a project management unit headed by an experienced Project Coordinator, acceptable to the Association, and: (i) provided with adequately qualified staff, in numbers, under terms of reference satisfactory to the Association; and (ii) vested with adequate powers, functions, authority and financial resources, acceptable to the Association, in order to manage and coordinate the day-to-day implementation of activities and compliance with the fiduciary requirements for Components 2 and 3 of the Project; and

- (e) cause STEVTA to establish by no later than three (3) months after the Effective Date, and thereafter maintain and coordinate for as long as it is required under the Project, an Independent Evaluation Committee chaired by Managing Director, STEVTA, with representatives of the private sector, in numbers and proportions acceptable to the Association, which committee shall be granted the resources and vested with powers, satisfactory to the Association, to pre-qualify vocational/technical training institutions and carry out the evaluation of programs to be established, improved or upgraded under Component 2 of the Project, in accordance with the criteria set forth in Section I.D below.

B. Anti-Corruption

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

C. Short Term Training

1. The Project Implementing Entity shall: (i) cause BBSYDP to implement the activities under Component 1 of the Project in accordance with the BBSYDP Operations Manual; and (ii) refrain, and cause BBSYDP to refrain, from unilaterally amending, suspending, abrogating, repealing or waiving, whether in whole or in part, any provision of the BBSYDP Operations Manual, so as to materially and adversely affect the ability of BBSYDP and the Project Implementing Entity to perform any of the obligations set forth in this Agreement.
2. In carrying out Component 1 of the Project, the Project Implementing Entity shall cause BBSYDP to:
 - (a) call for rounds of short-term training technical/financial proposals/expressions of interest from pre-qualified Training Providers on a regular basis, in a manner and substance satisfactory to the Association; and
 - (b) soon thereafter, have such proposals examined by a technical committee, in accordance with selection criteria set forth in the BBSYDP Operations Manual, and in a manner and substance satisfactory to the Association, so as to ensure that the proposals are technically feasible and cost-effective, and are designed in accordance with appropriate business standards.
3. Upon the selection of short-term training proposals, the Project Implementing Entity shall cause BBSYDP to enter into service contracts or Sub-grant Agreements, as the case may be, with the respective Training Providers, under terms and conditions satisfactory to the Association, which shall include the following:
 - (a) a performance-based system for the payment of the training services requiring that: (i) the Training Providers commit to a minimum level of job placement of the trained Trainees, which levels shall be reported and verified within timeline described in the BBSYDP Operations Manual; and (ii) at

least ten percent (10%) of the service fee or Sub-grant be withheld until the respective Training Provider has submitted to BBSYDP the foregoing job placement report.

- (b) the automatic disqualification, for a period of twelve (12) months, or another time frame as may be described in the BBSYDP Operations Manual, of the Training Provider that does not accomplish the minimum levels of job placements of Trainees agreed as per sub-paragraph (a) above; and
 - (c) the obligation of the Training Providers to submit to BBSYDP regular reports on the performance of the Project-financed short-term training programs, including, *inter alia*, a baseline inception report, regular attendance reports, regular training progress reports, a course completion report and a job placement report.
4. Further to the foregoing provisions set out in paragraph 3 of this sub-Section I.C, the Project Implementing Entity shall cause BBSYDP to ensure that the Sub-grant Agreements to be entered by and between BBSYDP and the Training Providers selected pursuant to paragraph 1 of this sub-Section shall contain provisions adequate to protect the interest of the Association and the Recipient, including the requirements that:
- (a) the Training Providers perform their services under the Project and carry out training with due diligence and efficiency, in accordance with sound technical, financial and managerial standards, and pursuant to the principles, procedures and guidelines set forth in the BBSYDP Operations Manual;
 - (b) the Training Providers maintain policies, procedures and records adequate that would enable them to monitor and evaluate on an on-going basis, the performance and development of the training courses, the attendance of Trainees, and the job placements ratios thereof, in accordance with indicators satisfactory to the Association;
 - (c) the Training Providers obtain/produce all such information as the Association, the Recipient and/or BBSYDP shall reasonably request regarding their activities under the Project, and the development benefits thereby attained;
 - (d) (i) the goods and services to be financed out of the proceeds of the Sub-grant be procured in accordance with the Procurement Guidelines and the Consultants Guidelines as set forth in Section III below; and (ii) such goods and services be used for the carrying out of the selected training courses;
 - (e) the Training Providers abide by the Anti-corruption Guidelines;
 - (f) the right of the Association to inspect, by itself or through representatives, whether jointly with the BBSYDP or the Recipient, or alone, randomly and/or unannounced, as the Association may decide from time to time, any

relevant sites, records and documents related to the training service provided under the Sub-grant Agreement; and

- (g) the right of the Recipient and BBSYDP to suspend and/or cancel the Sub-grant Agreement and the Training Provider's use of any proceeds therein granted, upon: (i) failure by said Training Provider to perform its obligations under the Sub-grant Agreement; or (ii) the Association's exercising any suspension and cancelation remedies under the General Conditions, the Financing Agreement or this Project Agreement.

5. The Project Implementing Entity shall ensure that:
 - (a) BBSYDP shall pay the Stipends/Relocation Allowances to the Trainees in a timely fashion, subject to the Trainees' on-going compliance with the eligibility criteria set forth in the BBSYDP Operations Manual; and
 - (b) As a pre-requisite for such Stipends/Relocation Allowances payments, BBSYDP shall have ensured that a Trainee: (i) has opened a bank account on terms and conditions acceptable to the Association; or (ii) has agreed to BBSYDP's alternative payment methods, acceptable to the Association.
6. The Project Implementation Entity shall cause BBSYDP to design/develop, adopt by no later than six (6) months after the Effective Date, and thereafter apply throughout the period of implementation of the Project, an easily accessible grievance redressal mechanism, satisfactory to the Association, in order to address and correct any inclusion and/or exclusion errors in the selection of Trainees pursuant to BBSYDP Operations Manual, and/or any mistakes/errors in defrayment of Stipends/Relocation Allowances to Trainees.
7. The Project Implementation Entity shall cause BBSYDP to design/develop and implement by no later than six (6) months after the Effective Date, a comprehensive documentation and record keeping database, in a manner and substance satisfactory to the Association, in order to keep track and facilitate the analysis of the data provided and/or collected by BBSYDP, the M&E Third Party Consultants and the selected Training Providers, on the Training Providers' performance, the number of applicants to their training programs, the number of Trainees financed by the Project and enrolled in those programs, and the job placement outcomes thereof.

D. Market-Driven Institutional Training & STEVTA Institutional Capacity

1. The Project Implementing Entity shall: (i) cause STEVTA to implement the activities under Components 2 and 3 of the Project in accordance with the STEVTA Operations Manual; and (ii) except as the Association shall otherwise agree, refrain, and cause STEVTA to refrain, from amending, suspending, abrogating, repealing or waiving, whether in whole or in part, any provision of the STEVTA Operations Manual, so as to materially and adversely affect the ability of STEVTA and the Project Implementing Entity to perform any of the obligations set forth in this Agreement.

2. In carrying out Component 2 of the Project, the Project Implementing Entity shall cause STEVTA to ensure that: (i) the Independent Evaluation Committee shall invite STEVTA-administered, public vocational/technical training institutions to submit proposals for the establishment, improvement or upgrade of training programs, and shall evaluate said proposals strictly in accordance with the criteria set forth in the STEVTA Operations Manual; and (ii) the vocational/technical training institutions selected to establish, improve or upgrade their training programs shall have:
 - (a) been legally incorporated, ascribed to STEVTA, and have as their main purpose/objectives as the provision of vocational/technical training services;
 - (b) established/adopted a governing board with a majority of independent social partners, with at least one third of the board (1/3) representing employers and others representing civil society;
 - (c) established/adopted private sector advisory groups for the training programs to be improved/upgraded; which groups shall be comprised of professionals/experienced technicians within the respective trade;
 - (d) its own facilities with functioning utilities, and at least thirty percent (30%) of the sanctioned teachers (faculty) of the program to be improved/upgraded must be on the permanent payroll of the institution;
 - (e) identified a fulltime career counselor and placement officer responsible for strengthening the institutional linkages with the private sector, coordinating/promoting internships therewith, and finding job placement opportunities for trainees; and
 - (f) established/maintained a database of the most recent graduates with relevant data (e.g. mobile numbers, e-mails, domiciles) to enable STEVTA to carry out tracer studies and/or sample verification of job placement outcomes/ratios.

The foregoing requirements may be revised by STETVA, from time to time, subject to the prior written concurrence of the Association.

3. Further to the provisions of paragraph 2 of this Section I.D, the Project Implementing Entity shall cause STEVTA to ensure that the selection of programs to be established, improved or upgraded is carried out in an open, transparent and competitive manner, pursuant to procedures and criteria acceptable to the Association as set forth in STEVTA's Operations Manual, which criteria shall give weight to: (i) the labor market demand and economic rationale for the proposed program; (ii) the program's plan to enhance industry exposure, career counseling and job placement services for trainees; (iii) the institutional plan to establish/strengthen the governing board and the private sector advisory group guiding/advising the program; (iv) the proposed staff training and/or recruitment strategy in order to update/enhanced the qualifications of teachers with regard to the proposed program; (v) the overall performance –in terms

of quality training and job-placement ratios– of the applicant institution; and (vi) the poverty index of the district served by the program/institution concerned.

4. Upon the selection of vocation/technical training institutions and programs to be established, improved or upgraded pursuant to the provision of paragraphs 2 and 3 of this Section I.D, the Project Implementing Entity shall cause STEVTA to enter into a memorandum of understanding with each selected vocational/technical training institution, in respect of each selected program, under terms and conditions Acceptable to the Association, providing for: (i) the objective and targets of the program to be established, improved or upgraded; the timeframe therefor (termination date); the detail financing arrangements and appropriate use of funds and the implementation arrangements and reporting requirements.

E. Monitoring & Evaluation

By not later than October 31, 2011, the Project Implementing Entity shall cause BBSYDP to engage the services of a duly qualified and experienced monitoring and evaluation consultants satisfactory to the Association, under terms of reference acceptable to the Association; and, unless otherwise agreed with the Association, shall thereafter maintain the M&E Third Party Consultants throughout the period of implementation of the Project, in order to assist BBSYDP with the monitoring and supervision of contract performance by Training Providers, including the verification of Trainees’ attendance and job placement results.

F. Disclosures Arrangements

The Project Implementing Entity shall ensure that:

- (a) all documents related to Component 1 of the Project, including but not limited to: (i) the BBSYDP Operations Manual; (ii) the minutes of the meeting of the Sindh Skills Development Leadership Team; (iii) the list of Trainees; (iv) the list of all prequalified Training Providers detailing those which have actually entered into Sub-grant Agreements and/or performance-based contracts with BBSYDP; (v) the Project Reports; and (vi) the audited financial statements and interim un-audited financial reports, are made available and publicly accessible at the website of BBSYDP (www.bbsydpsindh.gov.pk) as may be amended from time to time; and
- (b) all documents related to Components 2 and 3 of the Project, including but not limited to: (i) the STEVTA Operations Manual; (ii) the minutes of the meeting of the STEVTA’s Board; (iii) the list of selected programs and their respective technical/vocational training institutions; (iv) Memorandum of Understanding signed with each selected institution, as well as the reports on the institution’s performance thereunder; (v) the Project Reports; and (vi) the audited financial statements and interim un-audited financial reports, are made available and publicly accessible at the website of STEVTA (www.stevta.gov.pk) as may be amended from time to time.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of six (6) months (January to June, and July to December), and shall be furnished to the Recipient and the Association not later fort-five (45) days after the end of the period covered by such report.
2. For purposes of Section 4.08(c) of the General Conditions, the Project Implementing Entity shall provide to the Recipient and the Association the report on the execution of the Project and related plan required pursuant to that Section by not later than six (6) month after the Closing Date. The Project Implementing Entity shall further provide any such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity including the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall 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 preceding quarter, in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity, commencing in the fiscal year in which the first withdrawal application was made. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.
4. In order to fulfill the duties and responsibilities set forth in paragraph 1 of this Section II.B, the Project Implementing Entity shall:
 - (a) cause STEVTA to: (i) select and engage, by not later than June 30, 2011, the services of a chartered firm of accountants, under terms of reference

acceptable to the Association, for the carrying out of STEVTA's financial audits for fiscal years 2008/2009 and 2009/2010; and (ii) appoint, by no later than June 30, 2011, and thereafter maintain throughout the period of implementation of the Project, an internal audit director, under terms of reference acceptable to the Association; and (iii) convene, by not later than June 30, 2011, meetings of the Departmental Accounts Committee in order to review and settle the backlog of advance audit paragraph for STEVTA's fiscal years 2008/2009 and 2009/2010; and

- (b) cause BBSYDP to: (i) by no later than June 30, 2011, cause the Departmental Accounts Committee to review settle the backlog of advance audit paragraph for BBSYDP's fiscal years 2008/2009 and 2009/2010; and (ii) select and engage, by no later than December 31, 2011 the services of a chartered firm of accountants or a qualified accountant, under terms of reference acceptable to the Association, for the carrying out of Project's internal audits.

C. Budget Execution Reports

Notwithstanding the reporting requirements set forth in Section II.B of this Schedule, for purposes of supporting withdrawal applications under Component 2 of the Project, the Project Implementing Entity shall cause STETVA to prepare quarterly consolidated budget execution reports ("BER"), in form and substance satisfactory to the Association, setting out values of budgets, actual expenditures incurred and balances thereof, if any, per month, per budget line included in the Eligible Expenditures Program, covering the period from the beginning of the Project Implementing Entity's fiscal year in which the report is prepared and up to the date of any such reports. The BERs shall be prepared in each calendar quarter, and be submitted to the Recipient and the Association no later than forty-five (45) days after the end of such quarter.

Section III. Procurement

1. All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.
2. The Project Implementing Entity shall cause STEVTA to establish by no later than June 30, 2011, and thereafter maintain throughout the period of implementation of the Project:
 - (a) a fully operational procurement documentation and record keeping system, in a manner and substance satisfactory to the Association, including a freely and publicly accessible database with an interface (link) with STEVTA's website, showing the procurement plans and procurement notices, invitations to bid, bidding documents and requests for proposals, as well as the procurement status of various contracts, including status of evaluation, complaints and actions taken, contract awards and contracts performance.

STEVTA shall maintain such system and website updated on a monthly basis throughout the period of implementation of the Project; and

- (b) a system for the handling of procurement complaints, in a manner 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. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the Association's prescribed complaint redress mechanism shall apply.