

CONFORMED COPY

CREDIT NUMBER 4590-PK

Project Agreement

(Sindh Education Sector Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF SINDH

Dated June 9, 2009

CREDIT NUMBER 4590-PK

PROJECT AGREEMENT

AGREEMENT dated June 9, 2009, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the PROVINCE OF SINDH, acting through the Governor 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 the Project in accordance with the applicable provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for 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 Secretary to the Government of Sindh, Education and Literacy Department.

4.02. The Association's Address is:

International Development Association
1818 H Street, N.W.
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:

Education and Literacy Department
Tughalq House, Sindh Secretariat
Karachi, Sindh
Islamic Republic of Pakistan

Facsimile:	Phone:
92-21-9216511	92-21-9211225

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Said N. Al Habsy
Authorized Representative

PROVINCE OF SINDH

By

/s/ Rizwan Memon
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of implementing the Project, Sindh shall:
 - (a) maintain, throughout the period of implementation of the Project, a steering committee (the “Reform Steering Committee”) headed by the Chief Secretary of Sindh, and comprised of representatives from, *inter alia*, Sindh’s Education and Literacy Department (“SED”), Finance Department, Planning and Development Department, and the Reform Support Unit (“RSU”) as well as development partners (as observers); which committee shall be assigned with functions, responsibilities, staff and resources, in each case satisfactory to the Association, as shall be required for the overall strategic policy guidance, interdepartmental coordination and oversight support to the implementation of Sindh’s Medium Term Education Sector Reform Program by the RSU;
 - (b) maintain, throughout the period of implementation of the Project, a Project management and implementation unit reporting to Sindh’s Secretary of Education, headed by an appropriately qualified Chief Program Manager, and provided with sufficient resources and appropriately qualified staff in adequate numbers, under terms of reference satisfactory to the Association, comprising, *inter alia*, deputy program officers for each key activity, a procurement officer, a financial management officer, a financial management information systems specialist, an internal audit specialist, a communications specialist, and an environment coordinator, assisted by monitoring officers and district officers (including an environmental focal person in each district); which unit shall be assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for, *inter alia*: (i) the planning and day-to-day implementation of Project activities, including compliance with the financial management, procurement, monitoring and evaluation, and reporting requirements under the Project; (ii) formulation, coordination and monitoring of Sindh’s reform efforts; (iii) the carrying out of core provincial programs, including the annual school censuses and incentive programs to public schools; (iv) the development of guidelines, regulations and operations resource manuals as may be deemed necessary for Project implementation; and (v) the liaison and communication with Project stakeholders;

- (c) maintain, throughout the period of implementation of the Project, an Economic Reform Unit (“ERU”), which unit shall be assigned with functions and responsibilities, staff and resources, in terms satisfactory to the Association, as shall be required for, *inter alia*: (i) the design and coordination of fiscal and budget management reforms (MTFF/MTBF); (ii) the reporting on budgets and execution in collaboration with the RSU; (iii) the oversight and monitoring of the implementation of fiscal and budget management strategies; and
 - (d) establish as necessary, district committees assigned with such powers and functions acceptable to the Association to be responsible for the implementation of sub-programs, including, *inter alia*, teachers’ recruitment and school rehabilitation.
2. (a) The Project Implementing Entity, through the RSU, shall apply throughout the implementation of the Project, an Operations Manual satisfactory to the Association, providing, *inter alia*:
- (i) the institutional arrangements for the implementation of the Project;
 - (ii) the arrangements for the flow of Project funds, including protocols and guidelines for Project financial management, preparation of withdrawal applications, maintenance of records, auditing, reporting and internal controls;
 - (iii) guidelines for planning and execution of procurement activities under the Project, including a redressal mechanism for procurement complaints;
 - (iv) the protocol for the production of documentary evidence on compliance with/fulfillment of the DLIs; and
 - (v) policies and procedures for monitoring Project activities, as well as complying with the reporting requirements thereof.
- (b) The Project Implementing Entity shall refrain from amending, waiving, terminating, suspending and/or abrogating the Operations Manual, whether in whole or in part, without the prior concurrence (no-objection) of the Association, if, in the opinion of the Association, such waiver, amendment, termination, suspension and/or abrogation might materially or adversely compromise the successful implementation of the Project, or the achievement of Project objective.

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. Safeguards

The Project Implementing Entity shall ensure that:

- (a) all civil works carried out under the Project shall be implemented in accordance with the Environmental and Social Management Framework, the objectives, policies and procedures thereof, and the social and environmental mitigation measures and monitoring requirements provided therein;
- (b) no activities involving land taking will be carried out under the Project. In the event that any land acquisition be required for the Project, the Project Implementing Entity shall, in consultation with the Association, ensure that such land be obtained under the Land Acquisition Act (1894) without resorting to the use of clause 17.4 thereof (urgency/emergency clause), or as a donation or bequeaths; and
- (c) no activities under the Project give rise to Displaced Persons.

D. Additional Undertakings for Program Implementation

1. The Project Implementing Entity shall ensure that the DAC reviews and settles the cumulative backlog of advance audits paragraphs for the education sector at provincial and district level set out in the MfDAC, in order to achieve a progressive reduction of such outstanding audit paragraphs in accordance with the following schedule:
 - (a) by April 30, 2009, a reduction of thirty five percent (35%) of the cumulative outstanding advance audit paragraphs since FY2005/06;
 - (b) by April 30, 2010, a reduction of sixty percent (60%) of the residual advance audit paragraphs for FY2007/08; and
 - (c) by April 30, 2011, a reduction of sixty percent (60%) of the residual advance audit paragraphs for FY2008/09.
2. In carrying out the activities under Component 1 of the Project, the Project Implementing Entity shall:

- (a) ensure that the Sindh Education Foundation maintains throughout the implementation of the Project operational autonomy and appropriately qualified staff in adequate numbers, satisfactory to the Association;
- (b) by no later than December 31, 2010, design, after consultations with stakeholders, a roadmap intended to grant the Sindh Education Foundation institutional autonomy, in a manner and substance satisfactory to the Association;
- (c) revise and update the MTFF, on an annual basis, by no later than April 30 of each year, commencing on April 30, 2009, and in terms, manner and substance satisfactory to the Association, and thereafter finance the Project activities under the SERP in accordance therewith;
- (d) by no later than April 30, 2010, notify, or cause SPPRA to notify, revised Procurement Rules acceptable to the Association, which rules shall govern the procurement of goods, works, and consulting services in Sindh; and
- (e) by no later than April 30, 2011, notify, or cause SPPRA to notify, implementing regulations ancillary to the revised Procurement Rules, in form and substance acceptable to the Association.

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 to be submitted to the Recipient and the Association twice a year, on or about March 15 and September 15 of each year, covering the immediately preceding semester of activities (i.e. September through February and March through August, respectively).
2. The Project Implementing Entity shall provide to the Recipient not later than six (6) months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all 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 Recipient and the Association the following interim unaudited financial reports (“IUFR”):
 - (a) by no later than January 15 of each year, an IUFR for the Project, in form and substance satisfactory to the Association, covering:
 - (i) the immediately preceding six-month period (i.e. July through December) of Project activities under Component 1; and
 - (ii) the immediately preceding seven-month period (i.e. June through December) of Project activities under Component 2; and
 - (b) by no later than June 15 of each year, an IUFR for the Project, in form and substance satisfactory to the Association, covering the immediately preceding five-month period (i.e. January through May) of Project activities under both Components.
3. The Project Implementing Entity shall have its Financial Statements referred to above (covering the operations, resources and expenditures related to the Project) 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. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.
4. In order to mitigate the fiduciary risk of the Project and strengthen the reporting capabilities of the RSU, the Project Implementing Entity shall ensure that the Accountant General of Sindh maintains until December 31, 2010, the secondment to the RSU of a financial management information system specialist, with experience and qualifications and under terms of reference acceptable to the Association, to, *inter alia*: (i) serve as a liaison officer between the Office of the Accountant General of Sindh and the RSU, and (ii) oversee and provide support to, Sindh’s district account officers for the generation of financial information and compliance with the Project’s reporting requirements.

C. Budget Execution Reports

Notwithstanding the reporting requirement set forth in Section II.B above, the Project Implementing Entity shall 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 budget line, for the whole education sector, 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 Association no later than thirty (30) days after the end of each 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 establish by no later than December 31, 2009, and thereafter maintain throughout the period of implementation of the Project, a procurement documentation and record keeping system, including a publicly accessible website, in a format agreed with the Association, showing, *inter alia*, the Project's procurement plans and official estimates (unit prices based on market values), the status of procurement of various contracts (the summary of proposals/bid evaluations and awards), and a list of procurement complaints and status thereof.