

OFFICIAL DOCUMENTS

CREDIT NUMBER 6022-PK

Project Agreement

(Karachi Neighborhood Improvement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF SINDH

Dated *July 26*, 2017

PROJECT AGREEMENT

Agreement dated July 26, 2017, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") and the PROVINCE OF SINDH ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") 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 provisions of Article V 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 — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity's Representative is the Chairman of its Planning and Development Board.
- 3.02. The Association's Address is:

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

Telex: Facsimile:
248423 (MCI) 1-202-477-6391

3.03 The Project Implementing Entity's Address is:

Planning and Development Department
Government of Sindh
Tughlaq House
Karachi, Pakistan

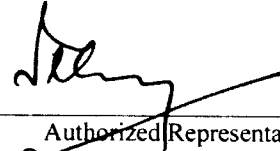
Cable: DEVELOPMENT
Karachi
Pakistan

Facsimile: 92-21-9211922

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Patchamuthu Illangovan
Title: Country Director, Pakistan

PROVINCE OF SINDH

By



Authorized Representative

Name: Dr. Shereen Mustafa
Title: Secretary (P&D)
Government of Sindh.

SCHEDULE**Execution of the Project****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. Karachi Transformation Steering Committee.
 - (a) The Project Implementing Entity has established under the Chief Minister of Sindh and shall maintain, throughout the implementation of the Project, the Karachi Transformation Steering Committee ("KTSC") with composition and terms of reference satisfactory to the Association.
 - (b) Without limitation to the provisions of sub-paragraph (a) immediately above, the KTSC shall be responsible for, *inter alia*, the provision of planning and strategic guidance and facilitation of multi-stakeholders' cooperation for the development and implementation of a vision, policy reforms and investment program towards the improvement of the Karachi economy, livability and sustainability.
 - (c) Without limitation to the provisions of sub-paragraph (a) immediately above, the KTSC shall include high level representation of the Project Implementing Entity, KMC and Partner DMCs, civil society and the private sector.
2. Project Implementation Unit.
 - (a) The Project Implementing Entity has established and shall maintain, throughout the implementation of the Project, the Project Implementation Unit ("PIU") housed in the DGUPSP, with composition and terms of reference satisfactory to the Association.
 - (b) Without limitation to the provisions of sub-paragraph (a) immediately above, the PIU shall be responsible for all aspects of Project implementation including technical, operational, environmental and social, procurement, financial management, disbursement and overseeing of technical assistance, training, public awareness and communication activities.
 - (c) Without limitation to the provisions of sub-paragraph (a) immediately above, the PIU shall at all times be under the direction of qualified management provided with sufficient resources and staffed with competent personnel in adequate numbers, in each case with qualifications, experience and under terms of reference acceptable to the Association, including a Project Director, a Deputy Project Director, a liaison officer, civil engineers, an urban planning and design specialist, a fully accredited accountant, a procurement specialist, an environmental specialist, a social development specialist, a resettlement specialist, and a communication specialist.
 - (d) No later than two (2) months after the Effective Date, the Project Implementing Entity shall recruit and thereafter maintain two sets of consultants to provide support to the PIU:

(i) project supervision and contract management consultants, and (ii) monitoring and evaluation consultants, in each case with qualifications and experience and under terms of reference acceptable to the Association.

3. Project Coordination Committee.

- (a) The Project Implementing Entity shall, no later than one (1) month after the Effective Date, establish and shall thereafter maintain, throughout the implementation of the Project, the Project Coordination Committee ("PCC") with composition and terms of reference satisfactory to the Association.
- (b) Without limitation to the provisions of sub-paragraph (a) immediately above, the PCC shall be responsible for inter-agency coordination and resolution of implementation bottlenecks.
- (c) Without limitation to the provisions of sub-paragraph (a) immediately above, the PCC shall be headed by the Chairman of the Project Implementing Entity's Planning and Development Board, and shall include high level representatives of city and provincial utilities, agencies and boards, as well as institutes, research centers, universities and other civil society stakeholders.

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. Activities under Component 1 of the Project

- 1. For the implementation of Component 1 of the Project, the Project Implementing Entity shall select activities to be implemented under the Project in accordance with the procedures and on the basis of the eligibility criteria described in the Project Operations Manual.
- 2. Without limitation to the provisions of sub-paragraph (1) immediately above, the Project Implementing Entity shall ensure that the eligibility criteria for Component 1 shall include the criteria listed in subsection (a) to (f) below. The proposed activity shall, in a manner satisfactory to the Association:
 - (a) fit with the overall Project development objectives;
 - (b) focus on enhancing public space assets for use by pedestrians, women, youths and/or vulnerable groups;
 - (c) meet the stated needs of citizens;
 - (d) be ready to be implemented within the Project time period, with visible positive impacts in the area;

- (e) not be expected to result in major or irreversible environmental and social impacts, nor to trigger an Association Policy not already addressed, in compliance with the provisions of the relevant Association Policy, in the Safeguards Documents; and
 - (f) be economically viable.
3. Without limitation to the provisions of sub-paragraph (1) immediately above, the Project Implementing Entity shall ensure that procedures for the selection of eligible activities shall ensure that each activity undergoes a systematic process of stakeholder consultations, engagement and feedback on detailed designs as further described in the Project Operations Manual, and that the activity and its implementation comply with the provisions of the Safeguard Documents and the Association Policies.

D. Safeguards.

- 1. The Project Implementing Entity shall ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Association Policies, as well as the Recipient's and the Project Implementing Entity's own laws relating to the environment and social aspects.
- 2. (a) The Project Implementing Entity shall ensure that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents.
- (b) Without limitation to the generality of sub-paragraph (a) immediately above, the Project Implementing Entity shall ensure that:
 - (i) for each activity under the Project of a type for which the Environmental and Social Management Framework provides that an Environmental and Social Management Plan should be prepared, such Environmental and Social Management Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Environmental and Social Management Framework, and the relevant activity is implemented in accordance with its Environmental and Social Management Plan; and
 - (ii) for each activity under the Project of a type for which the Resettlement Policy Framework provides that a Resettlement Action Plan should be prepared, such Resettlement Action Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement Policy Framework, and the relevant activity is implemented in accordance with its Resettlement Action Plan.
- 3. (a) Without limitation to the generality of the foregoing provisions in subparagraph (2)(a) immediately above, the Project Implementing Entity shall ensure that each contract for civil works under the Project includes the obligation of the relevant

contractor to comply with the relevant Safeguard Documents applicable to such civil works commissioned/awarded pursuant to said contract.

- (b) Without limitation to the generality of the foregoing provisions in subparagraph (a) immediately above, the Project Implementing Entity shall ensure, prior to commencing any works under the Project, that: (i) all necessary governmental permits and clearances for such civil works shall have been obtained from the competent governmental authority/ies; (ii) all pre-construction conditions imposed by the governmental authority/ies under such permit(s) or clearance(s) shall have been complied with/fulfilled; and (iii) all resettlement measures for the respective civil works set forth in the applicable Resettlement Action Plan shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the Resettlement Policy Framework and/or the applicable Resettlement Action Plan.
- 4. The Project Implementing Entity shall ensure that the following expenditures for the Project are financed exclusively out of the Recipient's or the Project Implementing Entity's own resources, and, to this end, shall provide or cause the Recipient to provide, as promptly as needed, the resources required therefor, namely:
 - (a) all land acquisition required for the purpose of the Project, if any; and
 - (b) any compensation, resettlement and rehabilitation payment to Displaced Persons in accordance with the provision of the Resettlement Action Plans.
- 5. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Project Implementing Entity shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit the any entity participating in the implementation of the Project to do so.
- 6. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and submit to the Association, on a quarterly 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.
- 7. In the event that any provision of the Safeguard Documents shall conflict with any provision under the Financing Agreement or this Agreement, the terms of the Financing Agreement and this Agreement shall prevail, in that order of priority.

E. Project Operations Manual

1. No later than one (1) month after the Effective Date and prior to incurring any expenditures for goods or works for the implementation of Component 1 of the Project, the Project Implementing Entity shall adopt the Project Operations Manual, in form and substance acceptable to the Association.
2. The Project Operations Manual shall set forth:
 - (a) (A) the detailed description of the Project implementation activities and their sequencing; and (B) the detailed institutional arrangements in respect thereto, including allocation of responsibilities, required staff and minimum qualifications thereof;
 - (b) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of funds) procedures for the Project; which procedures shall be consistent with those of the Financing Agreement and the Association's instructions thereunder, as well as the requirements of the Project Agreement;
 - (c) (A) the procedural steps for the update of the Procurement Plan; and (B) an outline of the mechanism for the settlement of procurement complaints and the disclosure of critical procurement information (website maintenance);
 - (d) the guidelines for training and capacity building activities under the Project; and
 - (e) the plan for selecting, designing, assessing, carrying out consultations upon, monitoring and supervising the Project activities, including all technical, environmental and social aspects in relation thereto.
3.
 - (a) The Project Implementing Entity shall ensure that the Project is carried out in accordance with the Project Operations Manual.
 - (b) The Project Implementing Entity shall obtain the Association written agreement prior to assigning, amending, abrogating, or waiving the Project Operations Manual, or any provision thereof.
4. In the event of any conflict between the provisions of the Project Operations Manual and those of the Financing Agreement or the Project Agreement, the provisions of the Financing Agreement or the Project Agreement shall prevail, in that order of priority.

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 for the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than thirty (30) days after the end of the

period covered by such report for review and forwarding by the Recipient to the Association.

2. The Project Implementing Entity shall:
 - (a) not later than twenty-four (24) months after the Effective Date, or such other date as may be agreed with the Association, carry out jointly with the Association and the Recipient, a midterm review of the Project, to assess the status of Project implementation, as measured against the indicators referred to in Section II.A.1 above and the legal covenants included in this Agreement and the Financing Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of safeguards measures; (v) implementation arrangements and Project staff turnover; and (vi) the need to make any adjustments to the Project and reallocate funds to improve performance;
 - (b) to this end, prepare and furnish to the 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 this 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 and the Recipient the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.
3. Annual Work Plans and Budgets
 - (a) Each year of Project implementation, the Project Implementing Entity shall prepare:
 - (i) (A) a draft annual work plan and budget for the Project (including Training and Incremental Operating Costs) for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested; and
 - (B) without limitation to the generality of the provision of Section (A) immediately above, the draft annual work plan and budget shall include a cash and disbursement forecast and indicate for each activity the source of financing including counterpart funds which, without limitation to the provisions of Section 5.03 of the General Conditions, shall be no less than \$14,000,000 in the aggregate, to be disbursed for the Project before the Closing Date; and
 - (ii) the evidence, in form and substance satisfactory to the Association, that all Safeguard Documents required prior to the implementation of the activities, if any,

included in the draft annual work plan and budget have been prepared or are in the process of being prepared so as to be available in form and substance acceptable to the Association and disclosed in accordance with the Association Policies.

- (iii) The Project Implementing Entity shall ensure that training shall be carried out on the basis of Annual Work Plans and Budgets, which shall, *inter alia*, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.
- (b) The Project Implementing Entity shall furnish to the Association, as soon as available, but in any case not later than April 30 of each year, the annual work plans and budgets and the evidences referred to in subparagraph (a)(ii) immediately above, for the Association's review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation, and the evidence which may be required for the implementation of the activities included in the draft annual work plan and budget for such period which shall be furnished no later than one (1) month after the Effective Date.
- (c) The Project Implementing Entity shall ensure that only the activities included in an annual work plan and budget in accordance with the provisions of this Section II.A.3 and expressly approved by the Association (each, once approved by the Association, an "Annual Work Plan and Budget") are eligible to a financing from the proceeds of the Financing. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior approval.
- (d) The Project Implementing Entity shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.

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. 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 fiscal year of the Project Implementing Entity. 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 months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

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.