
LOAN NUMBER 8998-PK

Loan Agreement

(Competitive and Livable City of Karachi Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF PAKISTAN (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of two hundred and thirty million Dollars (\$230,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are June 15 and December 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety days (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Economic Affairs Division of the Ministry of Finance, Revenue and Economic Affairs.

- 5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Economic Affairs Division
Ministry of Finance, Revenue and Economic Affairs,
Islamabad
Pakistan; and

(b) the Borrower's Electronic Address is:

Facsimile: E-mail:
92-51-910-4016Secretary@ead.gov.pk

- 5.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

| | | |
|------------------------------|----------------|---------------------------|
| Telex: | Facsimile: | E-mail: |
| 248423(MCI) or 64145(MCI) | 1-202-477-6391 | PakistanCMU@worldbank.org |

AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF PAKISTAN

By



Authorized Representative

Name: Noor Ahmed

Title: Secretary

Date: 26-Nov-2019

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Patchamuthu Illangovan

Title: Country Director

Date: 11-Nov-2019

SCHEDULE 1

Project Description

The objective of the Project is to improve urban management, service delivery and the business environment in Karachi.

The Project consists of the following parts:

Part 1. Performance-based Grants to Local Councils and Capacity Building

1.1 Provision of performance-based grants to Local Councils

Providing annual performance-based grants to Local Councils to finance their Capacity Strengthening Sub-project and Capital Infrastructure Sub-projects.

1.2 Technical Assistance and performance-based grant implementation and management

Providing support to LGD for (a) the coordination, management, administration and monitoring of the performance-based grant program supported under sub-part 1.1 of the Project, including the provision of capacity building, technical assistance and training to the participating Local Councils; and (b) the carrying out of studies and capacity building activities to improve service delivery in Karachi, manage street economy and increase awareness on gender in the workplace.

Part 2. Modernization of the Urban Property Tax Administration and System

(a) Carrying out an all-Karachi property survey to update the property tax database; (b) developing and upgrading an IT system to house the property tax data base and providing related training; (c) strengthening staff capacity on property tax administration; (d) developing IT systems to facilitate taxpayers billing and payments; (e) reviewing relevant property tax laws and regulations in Sindh; and (f) carrying out taxpayer sensitization and outreach activities.

Part 3. Improvement of City Competitiveness and Business Environment

3.1 Streamlining and integrating business regulations for city competitiveness

Providing support to SID to improve the business environment for private sector investment by streamlining and integrating key regulatory processes, through: (a) the development of a registry of business licenses and permits issued by selected agencies; (b) the mapping and re-engineering of regulatory process; (c) the development

of an online portal and associated facilities to automate and integrate regulatory processes of selected agencies; and (c) the carrying out of studies to address constraints to the private financing of infrastructure and to women-run businesses.

3.2 Establishing a PPP node at LGD

Providing support to LGD for the establishment and operation of a PPP node for the origination of PPPs, through: (i) the provision of assistance to local agencies under LGD; and (ii) the carrying out of pre-feasibility studies for potential PPPs in municipal services.

Part 4. Technical Assistance for Solid Waste Management

Providing technical assistance to, and building capacity of, LGD and SSWMB to improve solid waste management in Karachi and the performance of SSWMB, through the identification and resolution of critical challenges and the formulation of a long-term strategy for sector development and investment to address identified challenges.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending

1. To facilitate the implementation of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity under the same terms and conditions under which they are made available by the Bank to the Borrower and in accordance with the Borrower's on-lending and budgetary policies and procedures.
2. Notwithstanding the provisions of the preceding paragraph, in the event of a conflict between the on-lending and budgetary policies and procedures of the Borrower and the provisions of this Agreement, including such additional instructions as the Bank shall have specified in the Disbursement and Financial Information Letter, the provisions of this Agreement, including said additional instructions, shall govern.
3. The Borrower shall exercise its rights under the on-lending arrangements referred to in paragraph 1 of this Part A in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive its rights or obligations under said arrangements.

B. Safeguards

The Borrower shall ensure, and cause the Project Implementing Entity to ensure, that the Project is carried out with due regard to appropriate health, safety, social, and environmental standards and practices, and in accordance with the Safeguards Instruments and the provisions of Section I.D of the Schedule to the Project Agreement.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall cause the Project Implementing Entity to furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester (six months), covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

| Category | Amount of the Loan Allocated (expressed in USD) | Percentage of Expenditures to be financed (inclusive of Taxes) |
|--|--|---|
| (1) Works, goods, consulting services, non-consulting services and Training, excluding the cost of land acquisition and payments in accordance with the RAP, for the financing of Sub-projects under Part 1.1 of the Project | 140,000,000 | 100% |
| (2) Goods, works, non-consulting services, consulting services, Training and Incremental Operating Costs for the Project, except Part 1.1. | 89,425,000 | 100% |
| (3) Front-end Fee | 575,000 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| (4) Interest Rate Cap or Interest Rate Collar premium | 0 | Amount due pursuant to Section 4.05 (c) of the General Conditions |
| TOTAL AMOUNT | 230,000,000 | |

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$46,000,000 may be made for payments made prior to this date but on or after January 1, 2019, for Eligible Expenditures under Categories (1) and (2).
2. The Closing Date is June 30, 2024.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

| Principal Payment Date | Installment Share |
|-------------------------------|--------------------------|
| December 15, 2024 | 1% |
| June 15, 2025 | 1% |
| December 15, 2025 | 1% |
| June 15, 2026 | 1% |
| December 15, 2026 | 1% |
| June 15, 2027 | 1% |
| December 15, 2027 | 1% |
| June 15, 2028 | 1% |
| December 15, 2028 | 1% |
| June 15, 2029 | 1% |
| December 15, 2029 | 1% |
| June 15, 2030 | 1% |
| December 15, 2030 | 1.5% |
| June 15, 2031 | 1.5% |
| December 15, 2031 | 2% |
| June 15, 2032 | 2% |
| December 15, 2032 | 2% |
| June 15, 2033 | 2% |
| December 15, 2033 | 3% |
| June 15, 2034 | 3% |
| December 15, 2034 | 3% |
| June 15, 2035 | 3% |
| December 15, 2035 | 3% |
| June 15, 2036 | 3% |
| December 15, 2036 | 3% |
| June 15, 2037 | 3% |
| December 15, 2037 | 3% |
| June 15, 2038 | 3% |
| December 15, 2038 | 3% |
| June 15, 2039 | 3% |
| December 15, 2039 | 3% |
| June 15, 2040 | 4% |
| December 15, 2040 | 4% |
| June 15, 2041 | 4% |
| December 15, 2041 | 4% |
| June 15, 2042 | 4.5% |
| December 15, 2042 | 4.5% |
| June 15, 2043 | 4.5% |
| December 15, 2043 | 4.5% |
| June 15, 2044 | 4% |

APPENDIX

Definitions

1. “Affected Person” means a person or entity who, on account of the execution of the Project and/or a Sub-project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and, “Affected Persons”, means more than one such Affected Person.
2. “Annual Performance Assessment” means the assessment referred to in Section I.A.2(c) of the Schedule to the Project Agreement.
3. “Annual Work Plan and Budget” means, individually, one of the annual work plans and budgets for the implementation of the Project reviewed and approved by the Bank, referred to in Section I.E of the Schedule to the Project Agreement; and “Annual Work Plans and Budgets” means, more than one such annual work plan and budget.
4. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
5. “Bank Policies” means, collectively, but only to the extent that they are applicable to the Project activities, the operational policies and procedures OP/BP 4.01 (Environmental Assessment), OP/BP 4.03 (Performance Standards for Private Sector Activities), OP/BP 4.04 (Natural Habitats), OP/BP 4.07 (Water Resources Management), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams) contained in the Bank’s Operational Manual which can be found on the Bank’s website at www.worldbank.org, as well as the Environmental Health and Safety Guidelines as of the date of this Agreement, published under www.ifc.org/ehsguidelines; and “Bank Policy” means one of the Bank Policies, as the context may require.
6. “Capacity Building Grant” means a grant to be extended or extended to an Eligible Beneficiary for the financing of a Capacity Strengthening Sub-project in accordance with Section I.B.1(c)(i) of the Schedule to the Project Agreement.
7. “Capacity Strengthening Sub-project” means a sub-project of the type described in Section I.B.1(b)(i) of the Schedule to the Project Agreement prepared by a Local Council.

8. “Capital Infrastructure Sub-project” means a sub-project of the type described in Section I.B.1(b)(ii) of the Schedule to the Project Agreement prepared by a Local Council.
9. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
10. “Counterpart Funds” means the financing to be provided by the Project Implementing Entity for the Project, pursuant to Section I.C of the Schedule to the Project Agreement.
11. “Eligible Beneficiary” means a beneficiary which meets the eligibility requirements to receive a Performance-based Grant; and “Eligible Beneficiaries” means, collectively more than one such Eligible Beneficiary.
12. “E&TD” means the Excise and Taxation Department of the Government of Sindh, or any successor thereto which the Bank has confirmed in writing is acceptable for the purpose of implementing the Project.
13. “Environmental Management Framework” or “EMF” means the Project Implementing Entity’s document entitled “Competitive and Livable City of Karachi – Environmental Management Framework” dated May 9, 2019, which sets forth, *inter alia*, baseline conditions, guidelines and procedures for impact assessment and preparation of mitigation measures in consultation with the stakeholders; as such framework may be revised, updated or supplemented in accordance with the provisions of Section I.D.4 of the Schedule to the Project Agreement; and such term includes any annexes, appendices, or schedules to such framework.
14. “Environmental Management Plan” or “EMP” means the instrument to be prepared for a Subproject in accordance with the procedures and requirements under the EMF, satisfactory to the Bank, which details: (a) the measures to be taken during the implementation and operation of the Sub-project to avoid, minimize, mitigate or offset adverse environmental impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, and which may include a Physical Cultural Resources Management Plan if it relates to an activity which triggers the Bank Policy OP/BP 4.11 (Physical Cultural Resources); as such plan may be revised, updated or supplemented in accordance with the provisions of Section I.D.4 of the Schedule to the Project Agreement; and such term includes any annexes, appendices, or schedules to such plan; and “EMPs” means more than one such EMP, and collectively, all of them.
15. “Environmental and Social Impact Assessment” or “ESIA” means: (i) any environmental and social impact assessment to be prepared for civil works to be carried out under a Sub-project; and (ii) any site-specific environmental and social impact assessment to be prepared pursuant to the EMF or the SMF for a Sub-project, in each case describing a set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Sub-project to avoid, minimize and mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive

- impacts; as said environmental impact and social assessments: (a) are satisfactory to the Bank; (b) have been published by the Borrower; (c) have been published on the Bank's website; and (d) may be amended and/or supplemented from time to time with the prior written agreement of the Bank, and "Subproject ESIA's" means, collectively, more than one such ESIA, and collectively, all of them.
16. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018.
 17. "Incremental Operating Costs" means the reasonable incremental operating costs of the Project incurred by the PMUs for purposes of Project management, implementation, and monitoring and evaluation on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, office space rental, building and equipment maintenance, domestic and international travel (excluding temporary and contractual staff and consultants), lodging, and subsistence allowances, and salaries and salary supplements of contractual and temporary staff, but excluding salaries and salary supplements of members of the Borrower's or the Project Implementing Entity's civil service.
 18. "Involuntary Resettlement" as the meaning ascribed to it in the Bank Policy OP/BP 4.12 (Involuntary Resettlement).
 19. "IT" means information technology.
 20. "LGD" means the Local Government Department of the Government of Sindh, or any successor thereto which the Bank has confirmed in writing is acceptable for the purpose of implementing the Project.
 21. "Local Council" means a council created under the Sindh Local Government Act, 2013, or any successors thereto, which the Bank has confirmed in writing to the Project Implementing Entity is acceptable for the purpose of the Project.
 22. "Minimum Conditions Capital Infrastructure Grant" means a grant to be extended or extended to an Eligible Beneficiary for the financing of a Capital Infrastructure Sub-project in accordance with Section I.B.1(c)(ii)(A) of the Schedule to the Project Agreement.
 23. "P&DB" means the Planning and Development Board within the Planning and Development Department of the Government of Sindh, or any successor thereto.
 24. "Performance-based Grant" means a Capacity Building Grant, a Minimum Conditions Capital Infrastructure Grant or a Performance Measures Capital Infrastructure Grant, as the case may be.

25. “Performance Participation Grant Agreement” means an agreement to be entered into for the extension of a Performance-based Grant in accordance with the provisions of Section I.B.2 of the Schedule to the Project Agreement.
26. “Performance Measures Capital Infrastructure Grant” means a grant to be extended or extended to an Eligible Beneficiary for the financing of a Capital Infrastructure Sub-project in accordance with Section I.B.1(c)(ii)(B) of the Schedule to the Project Agreement.
27. “PPP” means public private partnership.
28. “PRRP” means the Project risk reducing procedure developed for the Project and acceptable to the Bank, which describes, among other things, a screening mechanism of potential Capital Infrastructure Sub-projects and other provisions to ensure compliance with the Bank Policy OP/BP 4.12 (Involuntary Resettlement) before and during the implementation of the Capital Infrastructure Sub-project begins, which is included in the Social Management Framework and in the Project Implementation Manual.
29. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
30. “Project Implementation Manual” or “PIM” means the Project Implementing Entity’s manual to be developed and adopted in accordance with the provisions of Section I.F of the Schedule to the Project Agreement; as the same may be modified from time to time in accordance with Section I.F.3(b) of the Schedule to the Project Agreement, and such term includes any annexes, appendices, or schedules to such manual.
31. “Project Implementing Entity” means the Borrower’s Province of Sindh, or any successor thereto.
32. “Project Management Units” or “PMUs” means, collectively, the teams of experts to be established in accordance with the provisions of Section I.A.2(a) of the Schedule to the Project Agreement; and “Project Management Unit” or “PMU” means one of such PMUs.
33. “Province” means a province of Pakistan, which constitutes the first order administrative division of the Borrower’s territory.
34. “Resettlement Action Plan” or “RAP” means a resettlement action plan or an abbreviated resettlement plan to be prepared for a Sub-project in accordance with the procedures and requirements of the Resettlement Policy Framework, which includes the principles, procedures, organizational arrangements and budget to implement the resettlement related activities under the Sub-project, as said resettlement action plan may be revised, updated or supplemented in accordance with the provisions of Section I.D.4 of the Schedule to the

- Project Agreement; and such term includes any annexes, appendices, or schedules to such plan; and “RAPs” means more than one such RAP, and collectively, all of them.
35. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework contained in the Social Management Framework, containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Affected Persons; as the same may be amended from time to time in accordance with Section I.D.4 of the Schedule to the Project Agreement; and such term includes any annexes, appendices, or schedules to such framework.
 36. “Safeguards Instruments” means, collectively, the Environmental Management Framework, the Environmental Management Plan(s), if any, the Environmental Code(s) of Practice, if any, the Social Management Framework including its Resettlement Policy Framework, and the Social Management Plans and Resettlement Action Plan(s), if any; and “Safeguard Instrument” means any of such Safeguards Instruments.
 37. “SID” means Sindh Investment Department of the Government of Sindh, or any successor thereto, which the Bank has confirmed in writing is acceptable for the purpose of implementing the Project.
 38. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
 39. “Sindh” means the Borrower’s Province of Sindh.
 40. “Sindh Business Registration Portal” means the Sindh Business Registration Portal developed under the Project Implementing Entity’s Karachi Neighborhood Improvement Project.
 41. “Social Management Framework” or “SMF” means the Project Implementing Entity’s document entitled “Competitive and Livable City of Karachi (CLICK) – Social Management Framework” dated May 9, 2019, which includes a Resettlement Policy Framework, and sets forth, *inter alia*, a comprehensive mechanism for the social screening of sub-projects; management frameworks for gender and vulnerability, labor impacts during construction (including gender-based violence and sexual exploitation and abuse), and stakeholder engagement; guidance and procedures for the carrying out of social impact assessments, Social Management Plans and Resettlement Action Plans; a grievance redress mechanism; and capacity enhancement measures; as the same may be amended from time to time in accordance with Section I.D.4 of the Schedule to the Project Agreement; and such term includes any annexes, appendices, or schedules to such framework.
 42. “Social Management Plan” or “SMP” means the instrument to be prepared for a Sub-project in accordance with the procedures and requirements under the SMF,

- satisfactory to the Bank, which details: (a) the measures to be taken during the implementation and operation of the Sub-project to avoid, minimize, mitigate or offset adverse social impacts (including health and safety issues), or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as such plan may be revised, updated or supplemented in accordance with the provisions of Section I.D.4 of the Schedule to the Project Agreement; and such term includes any annexes, appendices, or schedules to such plan; and “SMPs” means more than one such SMP, and collectively, all of them.
43. “SSWMB” means Sindh Solid Waste Management Board, or any successor thereto which the Bank has confirmed in writing is acceptable for the purpose of the Project.
44. “Steering Committee” means the committee to be established in accordance with the provisions of Section I.A.1(a) of the Schedule to the Project Agreement.
45. “Sub-project” means a Capacity Strengthening Sub-project or a Capital Infrastructure Sub-project, as the case may be.
46. “Training” means the cost of trainings, seminars and workshops, conferences and study tours, conducted in the territory of the Borrower, considered to be reasonable by the Bank and included in an Annual Work Plan and Budget, including: (i) the fees of training institutions and courses; (ii) domestic and foreign travel costs (excluding foreign training for temporary and contractual staff and consultants), lodging costs, and subsistence/per diem allowances both for trainers and trainees; (iii) the rental of training facilities; and (iv) preparation, purchase or reproduction of training materials.
47. “Zone of Impact” means, when referring to a Capital Infrastructure Sub-project, the zone of impact as such term is defined in the SMF.