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**LOAN NUMBER 8995-PK**

# **Loan Agreement**

**(Karachi Mobility Project)**

**between**

**ISLAMIC REPUBLIC OF PAKISTAN**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

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**LOAN NUMBER 8995-PK**

**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, in this Agreement the capitalized terms have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement, and the terms used in *italics* are referring to locations on the territory of the Project Implementing Entity.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower the amount of three hundred and eighty-two million Dollars (\$382,000,000), 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.
- .06. The Payment Dates are March 15 and September 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 objective of the Project. To this end, the Borrower shall cause the Project Implementing Entity to carry out the Project 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 (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 Recipient's Electronic Address is:

Facsimile:  
92-51-910-4016

E-mail:  
[Secretary@ead.gov.pk](mailto:Secretary@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 PakistanCMU@worldbank.org 64145(MCI)	1-202-477-6391	

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:** 18-Nov-2019

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve mobility, accessibility and safety along selected corridors in Karachi.

The Project consists of the following parts:

#### ***Part 1. Urban Road Infrastructure along the Yellow Corridor***

- (a) (i) Rehabilitating or reconstructing road infrastructure, bridges and non-motorized transport facilities (such as motorcycle lanes, footpaths and pedestrian crossing); and (ii) improving and shifting related utilities such as street lighting, sewer/water supply, drainage, oil pipeline, along the Yellow Corridor and its direct and feeder service routes;
- (b) implementing, before and during construction, the measures necessary to avoid, reduce and mitigate the impact of the Project: (i) on the environment; and (ii) and Project affected people; and
- (c) carrying out detailed designs, construction supervision activities and third-party monitoring.

#### ***Part 2. Development and operationalization of a BRT System along the Yellow Corridor***

- (a) Constructing and equipping bus rapid transit facilities (including segregated busways, interchange facilities, stations, terminal and depots) along the Yellow Corridor;
- (b) providing working capital subsidy for the concession of the BRT operation for the Yellow Corridor;
- (c) implementing social management and impact mitigation measures including the labor redeployment for the affected existing bus operators such as drivers, conductors and route managers;
- (d) implementing and monitoring the action plan to mitigate as specified in the Social Management Plan gender-based violence and other gender related actions;

- (e) designing a transit-oriented development strategy for the Yellow Corridor;
- (f) providing PPP transaction advisory services for BRT operation concession; and
- (g) carrying out a program of regular engagement with key stakeholders; and implementing a public relations and media strategy to generate support for and disseminate information on the bus rapid transit system.

***Part 3. Capacity Building and Technical Assistance***

- (a) Supporting Project management and providing technical assistance for the implementation of social measures;
- (b) providing technical assistance in traffic management and road safety;
- (c) supporting the regional transport authority in automating the management and monitoring of bus route permits; and
- (d) carrying out capacity building activities to strengthen SMTA and support the consolidation and improvement of the management of the urban transport sector in Karachi.

## 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.C 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 six-month period (semester), 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:

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Incremental Operating Costs. Training for Parts 1(a)(i), 1(b)(i) and 1(c), Parts 2(a), (d), (e), (f) and (g), and Part 3 of the Project.	<b>300,545,000</b>	100%
(2) Working Capital Subsidy for Part 2(b) of the Project.	<b>80,500,000</b>	Up to 100%
(3) Front-end Fee	<b>955,000</b>	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	<b>0</b>	Amount due pursuant to Section 4.05 (c) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>382,000,000</b>	

**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.
2. The Closing Date is December 31, 2025.

**SCHEDULE 3**

**Customized Amortization Repayment Schedule**

The Borrower shall repay the principal amount of the Loan as follows:

Principal Payment Date	Installment Share of the Principal Amount
From March 15, 2026 to March 15, 2031 included	1.5%
From September 15, 2031 to March 15, 2037 included	2%
From September 15, 2037 to March 15, 2039 included	3%
From September 15, 2039 to March 15, 2041 included	4%
From September 15, 2041 to September 15, 2044 included	4.5%

## APPENDIX

### Definitions

1. “Affected Person” means a person or entity who, on account of the execution of the 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 Work Plan and Budget” means, individually, one of the annual workplans and budgets for the implementation of the Project reviewed and approved by the Bank, referred to in Section I.D of the Schedule to the Project Agreement; and “Annual Work Plans and Budgets” means, more than one such annual work plan and budget.
3. “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.
4. “Bank Policies” means the operational policies and procedures for financing of development projects by the Bank at the date of this Agreement and relating to Environmental Assessment, Natural Habitats, Pest Management, Indigenous Peoples (Ethnic Minorities), Physical Cultural Resources, Involuntary Resettlement, Forests, Safety of Dams, Projects on International Waterways, and Projects in Disputed Areas, as published under <http://policies.worldbank.org>, as well as the Environmental Health and Safety Guidelines as of the date of this Agreement, published under [www.ifc.org/ehsguidelines](http://www.ifc.org/ehsguidelines), to the extent that they are applicable to the Project.
5. “BRT” means bus rapid transit.
6. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
7. “Compensation and Livelihood Rehabilitation Plan” means SMTA’s document entitled “Karachi Mobility Project - Yellow BRT Corridor - Compensation and Livelihood Rehabilitation Plan” dated May 9, 2019, satisfactory to the Bank,

which includes the principles, procedures, organizational arrangements and budget to implement the resettlement related activities under the Project, or under Parts of the Project; as such plan may be revised, updated or supplemented in accordance with the provisions of Section I.C.4 of the Schedule to the Project Agreement; and such term includes any annexes, appendices, or schedules to such plan.

8. “Counterpart Funds” means, collectively, the funds to be provided or caused to be provided by the Project Implementing Entity for the financing of the Project, pursuant to Section I.B of the Schedule to the Project Agreement.
9. “Environmental Impact Assessment” means SMTA’s document entitled “Environmental Impact Assessment - Karachi Mobility Project – Yellow BRT Corridor – Final Report” dated May 9, 2019, which includes, among other things, an analysis of the anticipated environmental impacts of the Project and mitigation measures, including an environmental management plan and other guidance and recommendations for its implementation.
10. “Environmental Management Plan” means the environmental management plan satisfactory to the Bank, included in Section 7 of the Environmental Impact Assessment, which details: (a) the measures to be taken during the implementation and operation of the 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; as such plan may be revised, updated or supplemented in accordance with the provisions of Section I.C.4 of the Schedule to the Project Agreement; and such term includes any annexes, appendices, or schedules to such plan.
11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
12. “Incremental Operating Costs” means the reasonable costs incurred by the Project Management Team for purposes of Project management and implementation on account of office rental, supplies and consumables, utilities, bank charges, communications, mass media and printing services, interpretation and translation services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, local transportation, domestic travel, lodging, and subsistence allowances, and salaries 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.
13. “KMC” means Karachi Metropolitan Corporation.

14. “PPP” means public private partnership.
15. “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.
16. “Project Implementing Entity” means the Borrower’s Province of Sindh, or any successor thereto.
17. “Project Management Team” means the team established within SMTA for the Project and referred to in Section I.A.3 of the Schedule to the Project Agreement.
18. “Project Operations Manual” means the manual to be prepared and adopted by the Project Implementing Entity in accordance with the provisions of Section I.E of the Schedule to the Project Agreement.
19. “Province” means a province of Pakistan, which constitutes the first order administrative division of the Borrower’s territory.
20. “Safeguard Instruments” means, collectively, the Environmental Management Plan, the Social Management Plan and the Compensation and Livelihood Rehabilitation Plan; and “Safeguard Instrument” means any of such Safeguards Instruments.
21. “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.
22. “SMTA” means the Sindh Mass Transit Authority established pursuant to the Sindh Mass Transit Authority Act, 2014.
23. “SMTA Board” means the Board constituted under the Sindh Mass Transit Authority Act, 2014.
24. “Social Management Plan” means the social management plan included in Section 9 of the Social Impact Assessment, which details (a) the measures to be taken during the implementation and operation of the Project to avoid, minimize, mitigate or offset adverse social impacts (including health and safety issues), or to reduce them to acceptable levels including on gender; 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.C.4 of the Schedule

to the Project Agreement; and such term includes any annexes, appendices, or schedules to such plan.

25. “Social Impact Assessment” means SMTA’s document entitled “Karachi Mobility Project – Yellow BRT Corridor – Social Impact Assessment and Social Management Plan – Final Report” dated May 9, 2019, which includes, among other things, an analysis of the anticipated social impacts of the Project and mitigation measures, including a social management plan and other guidance and recommendations for its implementation.
26. “Training” means the cost of trainings, seminars and workshops, conferences and study tours, conducted in the territory of the Recipient, 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 travel costs, 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.
27. “Working Capital Subsidy” means the amount to be contributed by the Project Implementing Entity to the financing of the working capital under the concession agreement to be entered into for the BRT operation along the Yellow Corridor.
28. “Yellow Corridor” means the approximately 21-kilometer-long route from *Dawood Chowrangi* in *Landhi* District (southeast of *Karachi*) to the *Numaish* bus rapid transit hub on *Shahrah-e-Qaideen road* (west of *Karachi*), following *Korangi Industrial road*, crossing *Malir* river and *KPT interchange*, continuing along *Korangi road* and progressing east into *Shahrah-e- Faisal*.