

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7956-PK

Loan Agreement

(Karachi Port Improvement Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated January 24, 2011

Public Disclosure Authorized

LOAN NUMBER 7956-PK

LOAN AGREEMENT

AGREEMENT dated January 24, 2011, 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) 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred fifteen million eight hundred thousand Dollars (\$115,800,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“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 IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the

interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or un-withdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for this purpose in the table in Section IV of Schedule 2 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 provide policy and strategic orientation to the Project through the Ministry of Ports and Shipping and cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV

EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Subsidiary Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.
 - (b) The Accounting Policies and Procedures Manuals referred to in Section II.B.2 (a) (i) of the Schedule to the Project Agreement have been updated and adopted as updated by the Project Implementing Entity in form and substance satisfactory to the Bank.
- 4.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.
- 4.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is the Secretary of the Economic Affairs Division of the Ministry of Economic Affairs and Statistics, or any of the Additional Secretary, Joint Secretary, Deputy Secretary, or Section Officer in said Division, acting individually.
- 5.02. The Borrower's Address is:

The Secretary to the Government of Pakistan
Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamabad
Pakistan

Phone:	Facsimile:
92-51-921-0629	92-51-921-8976

5.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

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

ISLAMIC REPUBLIC OF PAKISTAN

By/s/ Sibtain Fazal Halim

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By/s/ Raja Rehan Arshad

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to replace lost port capacity and reduce shipping costs to the Borrower's economy through the reconstruction of failed berths at Karachi port, an increase in the effectiveness and efficiency of the operations of Karachi port, and enhancement of its environmental sustainability.

The Project consists of the following parts:

1. Berth Reconstruction

Reconstruction of failed berths on the east wharf of Karachi Port and associated construction:

- (a) Reconstruction of berths 15-17A, including reconstruction and extension of quay walls and construction of a general cargo and roll on-roll off berth.
- (b) Demolition of ship repair berths 1 and 2 and associated shed.
- (c) Construction of pavements and storage facilities.
- (d) Independent technical supervision of works under Part 1 (a), (b), and (c) of the Project.

2. Institutional Strengthening

- (a) (i) preparation of a five (5)-year business plan and a strategic development plan for the Project Implementing Entity for purposes of definition of future orientation, physical development of assets, and territorial management, including a traffic analysis and forecast, strategies favoring or disfavoring particular traffic types, a qualitative and quantitative human resource assessment for purposes of development of a targeted training program, a review of the operational and institutional framework of the Project Implementing Entity, definition of the type and modus of land use under its custody and zoning of such land, identification of opportunities for modification of the legal and regulatory framework of the Project Implementing Entity for

purposes of its transition to a regulatory role, and strengthening and institutionalization of dialogue with port users and the broader port community; and

- (ii) provision of support to the Project Implementing Entity in relation to Project management, implementation, and monitoring and evaluation, particularly with respect to contract management.

- (b) Design and implementation of an environmental management system, including policies and objectives, impacts and risks and a related mitigation and improvement program, an organizational structure for implementation of such program, and arrangements for the monitoring and evaluation of such program, for the carrying out of a structured performance improvement program for purposes of international certification of the Project Implementing Entity in the area.

- (c) Carrying out of a financial management and planning improvement program for the Project Implementing Entity for purposes of financial reporting in accordance with international standards in the area.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**Ministry of Ports and Shipping

The Borrower shall provide policy and strategic orientation to the Project through the Ministry of Ports and Shipping.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity under a subsidiary agreement between the Borrower and the Project Implementing Entity (“Subsidiary Agreement”), in accordance with the Borrower’s on-lending policies and procedures, under terms and conditions approved by the Bank, and which shall include the following obligations of the Project Implementing Entity:
 - (a) (i) payment to the Borrower of a front-end fee in an amount equal to the Front-end Fee payable by the Borrower pursuant to Section 2.03 of this Agreement; (ii) repayment to the Borrower of the proceeds of the Loan over the period applicable to the Borrower pursuant to Section 2.06 of this Agreement; and (iii) payment to the Borrower of interest on the proceeds of the Loan withdrawn and outstanding from time to time at a rate of eight percent (8%) per annum.
 - (b) to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines;
 - (c) to ensure that the Project is carried out in accordance with the provisions of the Accounting Policies and Procedures Manuals, and not, except as the Bank shall otherwise agree in writing, assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof;

- (d) to ensure that procurement of the goods, works, and services required for the Project is carried out in accordance with the provisions of Section III of this Schedule, as said provisions may be further elaborated in the Procurement Plan; and
 - (e) to ensure that the Project is carried out in accordance with the provisions of the Environmental Management Plan, and not, except as the Bank shall otherwise agree in writing, assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
2. In the event of a conflict between the budgetary procedures of the Borrower and the provisions of this Agreement, including such additional instructions as the Bank shall have specified by notice to the Borrower pursuant to Section IV.A.1 of this Schedule, the provisions of this Agreement shall govern.
 3. The Borrower shall exercise its rights under the Subsidiary Agreement 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 in writing, the Borrower shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

C. Anti-Corruption

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

D. Manuals

1. The Borrower shall:
 - (i) ensure that the Project is carried out in accordance with the provisions of the Accounting Policies and Procedures Manuals; and (ii) except as the Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
2. In the event of a conflict between the provisions of any of such Manuals and those of this Agreement, the latter shall govern.

E. Midterm Review

The Borrower shall:

- (a) carry out jointly with the Bank and the Project Implementing Entity, no later than thirty (30) months after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the performance indicators referred to in Section II.A.1 (a) of the Schedule to the Project Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) implementation of annual work plans and budgets; (iv) progress on procurement and disbursement; (v) progress on implementation of safeguards measures; (vi) implementation arrangements; and (vii) the need to make any adjustments to the Project and reallocate funds to improve performance.
- (b) cause the Project Implementing Entity to prepare and furnish to the Borrower and the Bank, at least three (3) months before such review, a report, in scope and detail satisfactory to the Bank, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the said 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 Bank and the Project Implementing Entity, the report referred to in paragraph (b) of this Section 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 said report and the Borrower and the Bank's views on the matter.

Section II. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. To this end, the Borrower shall: (i) ensure that the Project is carried out in accordance with the provisions of the Accounting Policies and Procedures

Manuals; and (ii) except as the Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be: (a) furnished to the Bank not later than six (6) months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding, subject to the additional procedures set out in the Annex to this Schedule
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-Based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-Based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality- and Cost-Based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on the Consultants' Qualifications
(e) Single-Source Selection
(f) Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods or works procured on the basis of International Competitive Bidding, or Direct Contracting; (b) the first contract for goods procured on the basis of National Competitive Bidding and Shopping, respectively; (c) the first contract for works procured on the basis of National Competitive Bidding; (d) each contract for consultants' services provided by a firm procured on the basis of Single-Source Selection; (e) the first contract for consultants' services

provided a firm, irrespective of its value, and thereafter all contracts for consultants' services estimated to cost the equivalent of \$100,000 or more; and (f) the first contract for consultants' services provided by an individual consultant, irrespective of its value, and thereafter all contracts for consultants' services provided by an individual consultant estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in Dollars)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, consultants' services (including for audits), and Training for the Project	98,800,000	100
(2) Front-end Fee	289,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Premiums for Interest Rate Caps and Interest Rate	0	Amounts payable pursuant to Section 2.07 (c) of this

Collars		Agreement in accordance with Section 4.05 (c) of the General Conditions
(4) Interest during construction	3,000,000	Amounts payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (c) of the General Conditions until June 30, 2015
(5) Unallocated	13,710,500	
TOTAL AMOUNT	115,800,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2015.

Section V. Access to Information

The Bank may disclose the Legal Agreements and any information related to the Legal Agreements in accordance with its policy on access to information, in effect at the time of such disclosure.

ANNEX TO SCHEDULE 2**National Competitive Bidding: Additional Procedures**

The additional procedures set out below shall apply to the procurement of goods and works under contracts awarded on the basis of National Competitive Bidding, in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. In the event of a conflict between the Borrower's procedures and the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines, said paragraphs shall govern, including the following:

- (i) Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids;
- (ii) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (iii) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
- (iv) Bidding shall not be restricted to pre-registered firms;
- (v) Qualification criteria shall be stated in the bidding documents;
- (vi) Bids shall be opened in public, immediately after the deadline for submission of bids;
- (vii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior written agreement of the Bank;
- (viii) Before rejecting all bids and soliciting new bids, the Bank's prior written agreement shall be obtained;
- (ix) Bids shall be solicited and works contracts shall be awarded on the basis of unit prices;
- (x) Contracts shall not be awarded on the basis of nationally negotiated rates;
- (xi) Single bids shall also be considered for award;
- (xii) Contracts shall be awarded to the lowest evaluated and qualified bidder;

- (xiii) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (xiv) Draft contracts shall be reviewed by the Bank in accordance with prior review procedures;
- (xv) State-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Borrower;
- (xvi) A firm declared ineligible by the Bank, based on a determination by the Bank that the firm has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or in executing a Bank-financed contract, shall be ineligible to be awarded a Bank-financed contract during the period of time determined by the Bank;
- (xvii) The Bank shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for, or in executing, a contract financed by the Bank; and
- (xviii) Each contract financed from the proceeds of a Loan shall provide that the suppliers, contractors, and subcontractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. The deliberate and material violation by the supplier, contractor, or subcontractor of such provision may amount to an obstructive practice.

SCHEDULE 3

Amortization Schedule

1. 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”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each January 15 and July 15, Beginning July 15, 2018 through January 15, 2038	2.44
On July 15, 2038	2.40

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such

date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX**Section I. Definitions**

1. “Accounts Division” means the division of the Project Implementing Entity (as hereinafter defined), responsible for accounts, or any successor thereto.
2. “Accounting Policies and Procedures Manuals” means the Project Implementing Entity’s manuals, dated 1961, 1963, May 1982, and September 1985, and setting out financial management and disbursement arrangements for purposes of the Project implementing entity’s operations, as the same may be amended from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such manuals.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set forth in Section III of this Appendix.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
5. “Economic Affairs Division” means the division of the Ministry of Economic Affairs and Statistics (as hereinafter defined), responsible for economic affairs, or any successor thereto.
6. “Environmental Management Plan” means the Project Implementing Entity’s plan, dated May 10, 2010 and agreed with the Bank, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any schedules or annexes to such plan.
7. “Finance Division” means the division of the Project Implementing Entity (as hereinafter defined), responsible for finance, or any successor thereto.
8. “Fiscal Year” means the 12-month period from January 1 to December 31; provided, however, that, in the case of the first Fiscal Year of the Project (“First Fiscal Year”), such period shall run from the date of this Agreement to the December 31 next following.

9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 as amended through February 12, 2008), with the modifications set forth in Section II of this Appendix.
10. “Internal Audit Division” means the division of the Project Implementing Entity (as hereinafter defined), responsible for internal audits, or any successor thereto.
11. “Karachi Port Trust” means the trust in which is vested the port of Karachi, established and operating pursuant to the Karachi Port Trust Act of 1886.
12. “Marine Pollution Control Department” means the department of the Project Implementing Entity (as hereinafter defined), under the Operations Division (as hereinafter defined), responsible for marine pollution control, or any successor thereto.
13. “Ministry of Economic Affairs and Statistics” means the Borrower’s ministry responsible for economic affairs and statistics, or any successor thereto.
14. “Ministry of Ports and Shipping” means the Borrower’s ministry responsible for ports and shipping, or any successor thereto.
15. “Operating Costs” means the reasonable costs of incremental expenditures under the Project, incurred by the Borrower or the Project Implementing Entity for purposes of Project implementation, management, and monitoring and evaluation, on account of utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, public awareness-related publicity and media expenses, travel and subsistence, and salaries of contractual and temporary staff.
16. “Operations Division” means the division of the Project Implementing Entity (as hereinafter defined), responsible for operations, or any successor thereto.
17. “Planning and Development Division” means the division of the Project Implementing Entity (as hereinafter defined), responsible for planning and development, or any successor thereto.
18. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.
19. “Procurement Plan” means the Project Implementing Entity (as hereinafter defined)’s procurement plan for the Project, dated July 30, 2010 and referred to

in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

20. “Project Implementing Entity” means Karachi Port Trust, or any successor thereto.
21. “Project Implementing Entity’s Legislation” means the Borrower’s Karachi Port Trust Act of 1886, as amended to date, and includes any other laws and regulations governing the organization, reorganization, restructuring, and operations of the Project Implementing Entity, as any of them may be amended or supplemented from time to time.
22. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.
23. “Training” means the cost of training financed under the Project, and attributable to seminars, workshops, and study tours, along with the cost of travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining un-withdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (l) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of: (i) a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association; and / or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive, or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5 (a), and a new Section 5 (b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive, or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11 (a) is modified to read as follows:

“... (a) sanction in accordance with the Bank’s prevailing sanctions policies and procedures (fn 13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual, or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual, or entity has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive, or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank-financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross-debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive, or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government-owned enterprises and agencies that are not eligible to bid under paragraph 1.8 (b) of the Procurement Guidelines or participate under paragraph 1.11 (c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board set forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”