

---

---

**LOAN NUMBER 9318-PK**

# **Loan Agreement**

**(Electricity Distribution Efficiency Improvement Project)**

**between**

**THE ISLAMIC REPUBLIC OF PAKISTAN**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

---

---

**LOAN AGREEMENT**

AGREEMENT dated as of the Signature Date between THE 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 one hundred ninety-five million Dollars (\$195,000,000), 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 May 15 and November 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 carry out MoE's Respective Parts of the Project through MoE and cause the Project Implementing Entities to carry out their Respective Parts of the Project, all in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the respective Project Implementing Entities' Project Agreements.

### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely, that any of the respective Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed, or waived so as to materially and adversely affect the ability of any of the Project Implementing Entities to perform any of its obligations under its respective Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

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

### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Borrower's Ministry of Economic Affairs, acting individually.
- 6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Ministry of Economic Affairs  
Government of Pakistan  
Pakistan Secretariat  
Islamabad  
Pakistan; and

- (b) the Borrower's Electronic Address is:

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

6.03. 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.

THE ISLAMIC REPUBLIC OF PAKISTAN

By



\_\_\_\_\_  
Authorized Representative

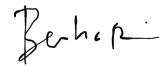
Name: Mian Asad Hayaud Din  
\_\_\_\_\_

Title: Secretary  
\_\_\_\_\_

Date: 23-Dec-2021  
\_\_\_\_\_

INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT

By



\_\_\_\_\_  
Authorized Representative

Name: Najy Benhassine  
\_\_\_\_\_

Title: Country Director, Pakistan  
\_\_\_\_\_

Date: 21-Dec-2021  
\_\_\_\_\_

## SCHEDULE 1

### Project Description

The objectives of the Project are to improve operational efficiency in Targeted Areas of Selected Distribution Companies and achieve progress on the power sector reform agenda.

The Project consists of the following parts:

#### **Part 1: Improving Grid Reliability**

Carrying out of Selected Distribution Companies' investment programs aiming to improve reliability of electricity supply and reduce technical losses through:

- (a) New grid stations:
  - (i) in respect of HESCO, the construction of new grid stations and the associated transmission lines; and
  - (ii) in respect to MEPCO, the construction of new grid stations and the associated transmission lines.
  
- (b) Existing grid stations:
  - (i) in respect of HESCO, the conversion, augmentation and/or extension of existing grid stations; and
  - (ii) in respect of PESCO, the upgradation of busbars at, and/or the augmentation and/or extension of, existing grid stations.
  
- (c) Transmission lines:
  - (i) in respect of HESCO, the construction, rehabilitation and/or reconductoring of transmission lines to higher capacity conductor; and
  - (ii) in respect of PESCO, the construction, rehabilitation and/or reconductoring of transmission lines to higher capacity conductor.
  
- (d) Energy loss reduction:
  - (i) in respect of MEPCO, the expansion and/or rehabilitation of feeders; and

- (ii) in respect of PESCO, the installation of switch shunt capacitors.

**Part 2: Modernizing Operations and Management**

Supporting the modernization of Selected Distribution Companies' operations and management functions through:

(a) Automation and information systems:

- (i) in respect of HESCO, the preparation of feasibility study and rollout plan for the implementation of the supervisory control and data acquisition system;
- (ii) in respect of MEPCO, the installation of the transformer monitoring and protection system; and
- (iii) in respect of PESCO, the upgrade of its billing, geographic information system and information technology infrastructure.

(b) Revenue and equipment protection program:

- (i) in respect of HESCO, the deployment of automated metering infrastructure; and
- (ii) in respect of PESCO, the deployment of automated metering infrastructure, and the installation of aerial bundled cables and transformer monitoring and protection systems in feeders.

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

Strengthening the institutional capacity of the Selected Distribution Companies through:

- (a) Improving operations and maintenance: in respect of each of the Selected Distribution Companies, the improvement of its operations and maintenance practices, including, *inter alia*, the enhancement and/or upgradation of safety and testing equipment; the development and/or improvement of asset and inventory management systems; provision of goods and equipment necessary for its operations and maintenance functions; the establishment and/or upgradation of transformer repair workshops; and the improvement of training centers.
- (b) Training, capacity building, studies and improving gender diversity: in respect of each of the Selected Distribution Companies, the preparation and/or updates of its

manuals, procedures and systems in relation to the conduct of various functions, including, *inter alia*, internal audit, human resource management, inventory management, procurement, financial management, customer services, safety, testing and maintenance of transformers, and environmental and social management; the carrying out of studies, options assessments, feasibility studies, and the preparation and implementation of pilot initiatives identified and agreed by the relevant Selected Distribution Company and the Bank and reflected in the Annual Work Plans and Budgets, in relation to new technologies and/or the implementation of government policies aimed to increase the use of renewable energy and promote energy efficient measures; the carrying out of training programs, workshop and seminars to improve staff's skills; and the carrying out of activities to promote workforce participation of women.

- (c) *Project implementation support*: in respect of each of the Selected Distribution Companies, the provision of technical and operational assistance for Project management and implementation, including, *inter alia*, the hiring of the Project implementation and management support consultant; the conduct of financial, operational and technical audits; the preparation and review of feasibility studies, design and bidding documents; and the provision of support on the implementation of environmental and social management instruments.

#### **Part 4: Reform Support**

Supporting MoE on the implementation of power sector governance and institutional reforms and electricity market reforms through:

- (a) *Supporting governance and institutional reforms*: the provision of technical assistance and related equipment, including the carrying out of training and capacity building activities, to support MoE in fulfilling its policy mandate under the National Electricity Policy 2021, including, *inter alia*: (i) the development of national electricity plan; information technology based monitoring system; and research and development framework; (ii) the carrying out of integrated planning, economic and policy analysis; tariff and subsidy analysis; environmental analysis and risk assessment and mitigation; and analysis to improve the existing distribution standards and systems; and (iii) the development of frameworks, tools and applications for power distribution companies.
- (b) *Supporting the implementation of CTBCM*: the provision of technical assistance and related equipment, including the carrying out of training and capacity building activities, to support MoE on the transition to wholesale electricity market, including, *inter alia*, the setting up of an independent system operator, market operator and independent auction administrator under the CTBCM, and the strengthening of their capacities.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. The Borrower shall vest the responsibility for the overall oversight and coordination of the Project in MoE.
2. The Borrower shall: (a) take all actions, including ensuring the provision of funds, facilities, services and other resources, necessary or appropriate for the carrying out of the Project by the Project Implementing Entities and MoE; and (b) ensure that the Project is completed in a manner consistent with the requirements of this Agreement, irrespective of the sources of the financing.
3. The Borrower, through MoE, shall maintain, throughout the Project implementation period, a Project steering committee (“Project Steering Committee”) with attributions and composition acceptable to the Bank, which shall be: (a) chaired by the Secretary, Power Division, of MoE and composed of, *inter alia*, the Member (Energy) of the Planning Commission; the Chief Executive Officers of PITC, PPMC and, if relevant, the power distribution companies; and representative of the Privatisation Commission; and (b) responsible for providing high-level oversight and strategic guidance, and facilitating inter-agency and departmental coordination, for the implementation of the Project, focusing on the MoE’s Respective Parts of the Project.
4. To facilitate the carrying out of the MoE’s Respective Parts of the Project, the Borrower, through MoE, shall:
  - (a) maintain, throughout the implementation period of the MoE’s Respective Parts of the Project, a Project implementation unit (“Project Implementation Unit”), which shall be: (i) headed by MoE’s Joint Secretary (or higher level) and assisted by competent staff and experts, all with experience and qualifications, in numbers and under terms of reference acceptable to the Bank; and (ii) provided with such power, financial resources, functions and competences, acceptable to the Bank, as shall be required for it to carry out the day-to-day coordination and implementation of the activities under the MoE’s Respective Parts of the Project;
  - (b) establish, by not later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation period of the MoE’s Respective Parts of the Project, a Procurement Committee (“Procurement Committee”), which shall be: (i) headed by a Project director of the Project Implementation Unit and with composition and terms of reference acceptable to the Bank; and (ii) provided with

such power, financial resources, functions and competences, acceptable to the Bank, as shall be required to serve as a single review body for the evaluation of bidding documents and procurement reports prepared for activities under the MoE's Respective Parts of the Project; and

- (c) ensure that the Project Implementation Unit collaborates with PPMC on the implementation of activities under Part 4(a) of the Project, and collaborates with PPIB, AEDB, CPPA-G and NTDC on the implementation of activities under Part 4(b) of the Project.

**B. Subsidiary Agreements.**

1. To facilitate the carrying out of the Project Implementing Entities' Respective Parts of the Project, the Borrower shall make the proceeds of the Loan allocated from time to time to Categories (1)(b), (1)(c) and (1)(d) of the table set forth in Section III.1 of this Schedule available to the respective Project Implementing Entities under individual subsidiary agreements between the Borrower and each of the Project Implementing Entities, under terms and conditions acceptable to the Bank (collectively, the "Subsidiary Agreements", and each, a "Subsidiary Agreement"), each of which shall include the following:
  - (a) the amount of Loan made available under the Subsidiary Agreement ("Subsidiary Loan") shall be denominated in currency consistent with the Borrower's relending policy and satisfactory to the Bank;
  - (b) the right of the Project Implementing Entity to withdraw the proceeds of the Loan on behalf of the Borrower. The proceeds so withdrawn shall be considered to have been withdrawn by the Borrower;
  - (c) the obligation of the Project Implementing Entity to: (i) pay to the Borrower an amount equal to the aggregate of: (A) the Front-End Fee determined by the Bank pursuant to Section 2.03 of this Agreement and Section 3.01(a) of the General Conditions; and (B) the Commitment Charge determined by the Bank pursuant to Section 2.04 of this Agreement and Section 3.01(b) of the General Conditions, on the pro-rata portion of Loan on-lent under the Subsidiary Agreement; (ii) repay the proceeds of the Loan withdrawn under the Subsidiary Agreement over the period applicable to the Borrower pursuant to Section 2.07 of, and Schedule 3 to, this Agreement; (iii) repay the proceeds of the Loan in currency consistent with the Borrower's relending policy and satisfactory to the Bank; and (iv) pay an interest on the principal amount of the Loan withdrawn and outstanding from time to time at the rate consistent with the Borrower's relending policy and satisfactory to the Bank;

- (d) the Borrower's and the Project Implementing Entity's understandings and arrangements for the flow of funds, including disbursement protocols, supporting evidence and any reporting requirements therefor; and
  - (e) the Borrower's right to suspend or terminate the Subsidiary Agreement, and/or accelerate the recovery of any outstanding amounts withdrawn thereunder, upon:
    - (i) the Project Implementing Entity's failure to perform its obligations under the Subsidiary Agreement and/or its Project Agreement, as the case may be; or
    - (ii) the Bank's exercising any of the remedies under the General Conditions, the Procurement Regulations and/or the Anti-Corruption Guidelines.
2. The Borrower shall exercise its rights under the Subsidiary Agreements 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 the Subsidiary Agreements or any of their provisions, nor consent to any assignment, amendment, abrogation or waiver by any of the Project Implementing Entities.

**C. Environmental and Social Standards.**

- 1. The Borrower shall, and shall cause the Project Implementing Entities to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
- 2. Without limitation upon Section I.C.1 above, the Borrower shall, and shall cause the Project Implementing Entities to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower shall, and shall cause the Project Implementing Entities to, ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower shall, and shall cause the Project Implementing Entities to, ensure that:
  - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Borrower shall, and shall cause the Project Implementing Entities to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.
6. The Borrower shall, and shall cause the Project Implementing Entities to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

**D. Annual Work Plans and Budgets.**

1. Except for the Borrower's Fiscal Year during which this Agreement shall become effective, the Borrower, through MoE, shall: (a) prepare and furnish to the Bank by not later than March 31 of each year, a draft Annual Work Plan and Budget for the MoE's Respective Parts of the Project for review and comment, summarizing the implementation progress of the MoE's Respective Parts of the Project for the said Fiscal Year and the activities under the MoE's Respective Parts of the Project to be undertaken in the following Fiscal Year (together with documentary evidence that the environment and social management

obligations related to such upcoming Project activities shall be fully complied with in a timely fashion in accordance with the ESCP), including the proposed annual budget and sources of financing for the MoE's Respective Parts of the Project (Loan, counterpart financing, and any other source of financing which may become available for the MoE's Respective Parts of the Project); (b) taking into account the Bank's comments, finalize and furnish to the Bank no later than April 30 in each year, the Annual Work Plan and Budget, acceptable to the Bank; and (c) thereafter ensure the implementation of the MoE's Respective Parts of the Project during the following Fiscal Year in accordance with the Annual Work Plan and Budget agreed with the Bank and in a manner acceptable to the Bank. Any amendment, suspension, abrogation or waiver to an Annual Work Plan and Budget needed during the Fiscal Year covered by such plan shall be subject to a prior written no-objection of the Bank.

2. For the Borrower's Fiscal Year during which this Agreement shall become effective, the date referred to in Section I.D.1(a) above shall be one (1) month after the Effective Date and the date referred to in Section I.D.1(b) above shall be two (2) months after the Effective Date.
3. In the event that any provision of any Annual Work Plan and Budget shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

## **Section II. Project Monitoring Reporting and Evaluation**

1. The Borrower shall furnish, and cause the Project Implementing Entities to furnish, to the Bank each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar quarter.
2. The Borrower shall:
  - (a) not later than thirty (30) months after the Effective Date, or such other date as may be agreed with the Bank, carry out jointly with the Bank and the Project Implementing Entities (as relevant for each of their Respective Parts of the Project), a midterm review of the Project ("Midterm Review") to assess the status of Project implementation, as measured against the indicators agreed with the Bank and the legal covenants included in this Agreement and the Project Agreements. 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 environmental and social management measures; (v) implementation arrangements and Project staffing; and (vi) the need to make any adjustments to the Project and reallocate funds to improve performance, if any;
  - (b) to this end, prepare and furnish to the Bank, and/or cause the Project Implementing Entities to prepare and furnish to the Borrower and the Bank, at least one (1) month before the Midterm Review, a report (or reports), in scope and detail satisfactory

to the Bank and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.1 of this Schedule and Section II.1 of the Schedule to the Project Agreements, 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 its objectives during the period following such date; and

- (c) review jointly with the Bank and the Project Implementing Entities the report or reports referred to in the preceding paragraph, and thereafter take, and cause the Project Implementing Entities to take, all measures required to ensure the efficient completion of the Project and the achievement of its objectives, based on the conclusions and recommendations of such report or reports and the Bank's views on the matter.

**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; (ii) each Interest Rate Cap or Interest Rate Collar premium; and (iii) Commitment Charge and Interest During Construction; 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)(a) Goods, works, non-consulting services, consulting services, Incremental Operating Costs, Training and Workshops for MoE's Respective Parts of the Project (but excluding Land Expenditures)	20,430,000	100 %
(1)(b) Goods, works, non-consulting services, consulting services, Incremental Operating Costs, Training and Workshops for HESCO's Respective Parts of the Project (but excluding Land Expenditures)	43,760,000	
(1)(c) Goods, works, non-consulting services, consulting services, Incremental Operating Costs, Training and Workshops for MEPCO's Respective Parts of the Project (but excluding Land Expenditures)	55,600,000	
(1)(d) Goods, works, non-consulting services, consulting services, Incremental Operating Costs, Training and Workshops for PESCO's Respective Parts of the Project (but excluding Land Expenditures)	66,760,000	
(2) Front-end Fee	487,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
(4) Commitment Charge and Interest During Construction	7,962,500	Amount payable pursuant to Sections 2.04 and 2.05 of this Agreement in accordance with Section 2.07 (c) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>195,000,000</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, except that withdrawals up to an aggregate amount not to exceed fifteen million Dollars (\$15,000,000) may be made for payments made prior to this date but on or after October 1, 2021, for Eligible Expenditures under Categories (1)(a) through (1)(d).
2. The Closing Date is December 31, 2027.

**Section IV. Other Undertakings**

1. Without limitation to the generality of Section 5.03 of the General Conditions, the Borrower shall cause the Project Implementing Entities to provide counterpart funds in an aggregate amount equivalent to not less than fourteen million eighty thousand Dollars (\$14,080,000), for the financing of the Project, including Land Expenditures.
2. The Borrower shall ensure, at all times throughout the Project implementation period, that PPMC's mandate and functions shall not enable PPMC to be involved in the governance and management, including human resource functions, of the power distribution companies in the Borrower's territory.
3. The Borrower, through MoE, shall ensure, throughout the implementation period of the MoE's Respective Parts of the Project, that: (a) the monthly update of CDMP, approved by the Cabinet, is published on MoE's website by not later than the last day of each subsequent month; and (b) quarterly update of CDMP, approved by the Cabinet, is published on MoE's website by not later than January 31, April 30, July 31 and October 31 of each year.



**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”).

**Customized Amortization Repayment Schedule**

<b>Principal Payment Date</b>	<b>Installment Share</b>
May 15, 2027	0.5%
November 15, 2027	0.5%
May 15, 2028	0.5%
November 15, 2028	0.5%
May 15, 2029	1.0%
November 15, 2029	1.0%
May 15, 2030	1.0%
November 15, 2030	1.0%
May 15, 2031	1.0%
November 15, 2031	1.0%
May 15, 2032	1.0%
November 15, 2032	1.0%
May 15, 2033	1.0%
November 15, 2033	2.0%
May 15, 2034	2.0%
November 15, 2034	2.0%
May 15, 2035	2.0%
November 15, 2035	2.0%
May 15, 2036	2.0%
November 15, 2036	2.0%
May 15, 2037	2.0%
November 15, 2037	2.0%
May 15, 2038	2.0%
November 15, 2038	2.0%
May 15, 2039	2.0%
November 15, 2039	2.0%
May 15, 2040	2.0%
November 15, 2040	2.0%
May 15, 2041	3.0%
November 15, 2041	3.0%
May 15, 2042	3.0%
November 15, 2042	3.0%
May 15, 2043	3.0%
November 15, 2043	3.0%

May 15, 2044	3.0%
November 15, 2044	3.0%
May 15, 2045	3.0%
November 15, 2045	3.0%
May 15, 2046	3.0%
November 15, 2046	3.0%
May 15, 2047	3.0%
November 15, 2047	3.0%
May 15, 2048	3.0%
November 15, 2048	2.0%
May 15, 2049	2.0%
November 15, 2049	2.0%
May 15, 2050	2.0%
November 15, 2050	2.0%
May 15, 2051	2.0%
November 15, 2051	2.0%

## APPENDIX

### Definitions

1. “AEDB” means the Alternative Energy Development Board, a body corporate established and operating under the Borrower’s Alternative Energy Development Board Act, 2010, to assist and facilitate the development and generation of alternative or renewable energy.
2. “Annual Work Plans and Budgets” means each of the rolling plans and budgets to be prepared or updated by MoE and/or each of the Project Implementing Entities for its Respective Parts of the Project, and agreed with the Bank, on an annual basis as provided for in Section I.D of Schedule 2 to this Agreement and Section I.C of the Schedule to the Project Agreements.
3. “Anti-Corruption Guidelines” means, for purposes of paragraph 6 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. “Cabinet” means the formal body created under Article 91 of the Constitution of the Islamic Republic of Pakistan, consisting of the Prime Minister and the federal ministers.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “CDMP” means the plan initially dated November 2019 approved by the Cabinet to manage circular debt.
7. “Construction Period” means the period commencing on the Effective Date and ending on the Closing Date, in relation to works under the Project.
8. “CPPA-G” means the Central Power Purchasing Agency (Guarantee) Limited, a company established and operating under Section 32 of the Borrower’s Companies Ordinance, 1984, and registered with the Assistant Registrar of Companies under certificate of incorporation No. 0068608, dated January 28, 2009.
9. “CTBCM” means the Competitive Trading Bilateral Contract Market model, approved by NEPRA under Section 14A of the NEPRA Act for implementation.
10. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated November 16, 2021, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out

to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

11. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
12. “Fiscal Year” means the fiscal year of the Borrower commencing on July 1 of each calendar year and ending on June 30 of the following calendar year.
13. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, and April 1, 2021).
14. “HESCO” means the Hyderabad Electric Supply Company Limited, a power utility established and operating under Section 32 of the Borrower’s Companies Ordinance, 1984, and NEPRA’s license 05/DL/2002, as modified on April 11, 2014, and registered with the Joint Registrar of Companies under certificate of incorporation No. L-09496, dated April 23, 1998.
15. “Incremental Operating Costs” means the incremental expenses incurred by MoE and/or the Project Implementing Entities on account of the management, implementation, monitoring and/or evaluation of the Project, including, but not limited to: incremental staff salaries, per diem and allowances, office rent, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance expenditures of office equipment and vehicles, bank charges, insurance, advertising, media projections, newspaper subscriptions, periodicals, and printing and stationary costs incurred for the purposes of Project activities; but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of members of the Borrower’s civil service or any of the Project Implementing Entities’ regular staff.

16. “Interest During Construction” means the interest accrued during the Construction Period and payable on the Loan in accordance with the terms set forth or referred to in this Agreement.
17. “Land Expenditures” means land expenditures (including compensation for land acquisition related to implementation of a resettlement instrument) or cash compensation and other assistance paid in cash for involuntary resettlement.
18. “Loan Agreement” means this Agreement, as such may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
19. “MEPCO” means the Multan Electric Power Company Limited, a power utility established and operating under Section 32 of the Borrower’s Companies Ordinance, 1984, and NEPRA’s license 06/DL/2002, and registered with the Joint Registrar of Companies under certificate of incorporation No. L-09522, dated May 14, 1998.
20. “Midterm Review” means the Project review referred to in Section II.2 of Schedule 2 to this Agreement and Section II.2 of the Schedule to the Project Agreements.
21. “Ministry of Energy” or “MoE” means the Borrower’s Ministry of Energy (Power Division), and/or any successor thereto.
22. “National Electricity Policy 2021” means the National Electricity Policy 2021, prepared pursuant to Section 14A of the NEPRA Act and approved by the council of common interests on June 25, 2021.
23. “NEPRA” means the Borrower’s National Electric Power Regulatory Authority, established and existing under the NEPRA Act to exclusively regulate the provision of electric power services in the Borrower’s territory.
24. “NEPRA Act” means the Borrower’s Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, as amended to the date of this Agreement.
25. “NTDC” the National Transmission and Dispatch Company Limited, an electricity transmission, system operation and dispatch utility, established and operating under Section 32 of the Borrower’s Companies Ordinance, 1984, and NEPRA’s license No. TL/01/2002 and registered with the Joint Registrar of Companies under certificate of incorporation No. L-09689, dated November 6, 1998.
26. “PEPCO” means the Pakistan Electric Power Company (Pvt) Limited, a company established and operating under Section 32 of the Borrower’s Companies Ordinance, 1984, and registered with the Joint Registrar of Companies under certificate of incorporation

No. 0039090, dated May 13, 1998, which has been renamed as PPMC pursuant to the certificate of incorporation on change of name dated October 14, 2021.

27. "PESCO" means the Peshawar Electric Supply Company Limited, a power utility established and operating under Section 32 of the Borrower's Companies Ordinance, 1984, and NEPRA's license 07/DL/2002, as modified on August 12, 2013, and registered with the Joint Registrar of Companies under certificate of incorporation No. L-09497 of 1997-98, dated April 23, 1998.
28. "PITC" means the Power Information Technology Company (Private) Limited, a private limited company established and operating under the Borrower's Companies Act, 2017.
29. "Planning Commission" means an apex body in the field of economic planning and development housed in the Ministry of Planning, Development and Reforms of the Borrower, or its successor thereto.
30. "PPIB" means the Private Power and Infrastructure Board, a body corporate established and operating under the Borrower's Private Power and Infrastructure Act, 2012, to, among others, promote, encourage and facilitate private sector investment in the power sector.
31. "PPMC" means the Power Planning and Monitoring Company (Private) Limited, formerly known as PEPCO.
32. "Privatisation Commission" means a body corporate, established and operating under the Borrower's Privatisation Commission Ordinance, 2000, to implement the privatization policy of the Borrower's federal government.
33. "Procurement Committee" means, in respect of each of the Project Implementing Entities, the Procurement Committee, established and operating in accordance with the provisions of Section I.A.1(c) of the Schedule to its Project Agreement, and in respect of the MoE, the Procurement Committee, established and operating in accordance with the provisions of Section I.A.4(b) of Schedule 2 to the Loan Agreement.
34. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated November 2020.
35. "Project Agreement" means the agreement between the Bank and a Project Implementing Entity, dated on or about the same date as this Agreement, for purposes of carrying out such Project Implementing Entity's Respective Parts of the Project, as such agreement may be amended from time to time. "Project Agreement" includes all appendixes, schedules, side-letters, and agreements supplemental to the Project Agreement; and the term "Project Agreements" means, collectively, all such agreements.

36. “Project Implementing Entity” means, individually, each of the Selected Distribution Companies and/or any successor thereto; and the term “Project Implementing Entities” means, collectively, all such companies and/or any successors thereto.
37. “Project Implementing Entity’s Legislation” means:
- (a) in respect of HESCO: HESCO’s Memorandum and Articles of Association, dated April 23, 1998, as amended to the date of this Agreement;
  - (b) in respect of MEPCO: MEPCO’s Memorandum and Articles of Association, dated May 14, 1998, as amended to the date of this Agreement; and
  - (c) in respect of PESCO: PESCO’s Memorandum and Articles of Association, dated April 23, 1998, as amended to the date of this Agreement.
38. “Project Implementation Unit” means the Project implementation unit established by MoE to manage the implementation of its Respective Parts of the Project, pursuant to the decision by the MoE Letter No. 12(19)/2018-DISCO-I, dated November 15, 2021, and referred to in Section I.A.4(a) of Schedule 2 to this Agreement.
39. “Project Management Unit” means:
- (a) in respect of HESCO: the Project management unit established by HESCO to manage the implementation of its Respective Parts of the Project, pursuant to the decision by the PEPCO Letter No. GM/(HR)/HRD/3895-3912, dated May 14, 2009, and referred to in Section I.A.1(a) of Schedule 2 to the HESCO’s Project Agreement;
  - (b) in respect of MEPCO: the Project management unit established by MEPCO to manage the implementation of its Respective Parts of the Project, pursuant to the decision by the PEPCO Letter No. GM/(HR)/HRD/3895-3912, dated May 14, 2009, and referred to in Section I.A.1(a) of Schedule 2 to the MEPCO’s Project Agreement; and
  - (c) in respect of PESCO: the Project management unit established by PESCO to manage the implementation of its Respective Parts of the Project, pursuant to the decision by the PEPCO Letter No. GM/(HR)/HRD/3895-3912, dated May 14, 2009, and referred to in Section I.A.1(a) of Schedule 2 to the PESCO’s Project Agreement.
40. “Project Steering Committee” means the Borrower’s Project steering committee established and operating in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.

41. “Respective Parts of the Project” means:
- (a) in respect of the Borrower, through MoE: Part 4 of the Project;
  - (b) in respect of HESCO: Parts 1(a)(i), 1(b)(i), 1(c)(i), 2(a)(i), 2(b)(i) and HESCO’s related activities under Part 3 of the Project;
  - (c) in respect of MEPCO: Parts 1(a)(ii), 1(d)(i), 2(a)(ii) and MEPCO’s related activities under Part 3 of the Project; and
  - (d) in respect of PESCO: Parts 1(b)(ii), 1(c)(ii), 1(d)(ii), 2(a)(iii), 2(b)(ii) and PESCO’s related activities under Part 3 of the Project.
42. “Selected Distribution Company” means, individually, HESCO, MEPCO or PESCO, and/or any successors thereto; and the term “Selected Distribution Companies” means, collectively, all such companies and/or any successors thereto.
43. “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.
44. “Subsidiary Agreement” means each of the individual agreements referred to in Section I.B of Schedule 2 to this Agreement, pursuant to which the Borrower shall make part of the proceeds of the Loan available to a Project Implementing Entity; and the term “Subsidiary Agreements” means, collectively, all such agreements.
45. “Subsidiary Loan” means the portion of the Loan extended by the Borrower to a Project Implementing Entity pursuant to the respective Subsidiary Agreement, which is funded from the proceeds of the Loan.
46. “Targeted Areas” means the Borrower’s geographical areas serviced by the Selected Distribution Companies.
47. “Training and Workshops” means the reasonable costs of training, workshops and conferences required for the Project and conducted in the territory of the Borrower and, subject to the Bank’s prior approval, overseas, including training institutional and course fees, logistics expenses, rental of training facilities, purchase and publication of training materials, and travel and subsistence allowance for trainers and/or trainees.