

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7956-PK

Project Agreement

(Karachi Port Improvement Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

KARACHI PORT TRUST

Dated January 24, 2011

PROJECT AGREEMENT

AGREEMENT dated January 24, 2011, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and KARACHI PORT TRUST (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between ISLAMIC REPUBLIC OF PAKISTAN (“Borrower”) and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is its chairperson.
- 3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

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

3.03. The Project Implementing Entity's Address is:

Karachi Port Trust
Edujee Dinshaw Road
Karachi 74000
Pakistan

Telex:	Facsimile:
20296 KPT PK	92-21-9921-4330

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

INTERNATIONAL BANK FOR
RECONSTRUCITON AND DEVELOPMENT

By/s/Raja Rehan Arshad

Authorized Representative

KARACHI PORT TRUST

By/s/ Nasreen Haque

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall be responsible for Project implementation, management, and monitoring and evaluation, including administrative and financial management, disbursement, and procurement, in accordance with the following institutional arrangements.

Planning and Development Division and Marine Pollution Control Department

2. The Project Implementing Entity shall maintain, throughout Project implementation, the Planning and Development Division and the Marine Pollution Control Department with an adequate institutional framework, functions, and resources, including competent personnel in adequate numbers, as shall be required for purposes of Project implementation.
3. The Project Implementing Entity shall be responsible for Project implementation, management, and monitoring and evaluation, including administrative management, through the Planning and Development Division.
4. The Project Implementing Entity shall appoint to the Planning and Development Division as follows, and thereafter maintain throughout Project implementation: (i) no later than one (1) month after the Effective Date, a Project director; and (ii) no later than three (3) months after the Effective Date, a Project manager, a Project engineer, and an executive engineer; all with qualifications, experience, and terms of reference satisfactory to the Bank for purposes of Project implementation.

B. Anti-Corruption

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

C. Safeguards

1. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Environmental Management Plan, and, except as the Bank shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
2. The Project Implementing Entity shall ensure that each contract for works under the Project includes the obligation of the contractor to implement and monitor and evaluate the Environmental Management Plan.
3. The Project Implementing Entity shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Environmental Management Plan, giving details of:
 - a. measures taken in furtherance of such Plan;
 - b. conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Plan; and
 - c. remedial measures taken or required to be taken to address such conditions.
4. In the event of a conflict between the provisions of such Plan and those of this Agreement, the latter shall govern.
5. The Project Implementing Entity shall be responsible for the implementation and monitoring and evaluation of such Plan through the Marine Pollution Control Department.
6. To this end, the Project Implementing Entity shall appoint to the Marine Pollution Control Department, no later than one (1) month after the Effective Date, and thereafter maintain throughout Project implementation, an environmental specialist and a health and safety manager, with qualifications, experience, and terms of reference satisfactory to the Bank for purposes of Project implementation.

D. Semi-Annual Reviews

The Project Implementing Entity shall review jointly with the Borrower and the Bank, no later than one (1) month after the transmittal of every second Project Report to the Bank, such Report, and the one preceding, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such Reports and the Borrower's and the Bank's views on the matter.

E. Midterm Review

The Project Implementing Entity shall:

- (a) carry out jointly with the Borrower and the Bank, no later than 30 months after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the indicators referred to in Section II.A.1 (a) of this Schedule. 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) 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 such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and
- (c) review, jointly with the Borrower and the Bank, 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 such report and the Borrower's and the Bank's views on the matter.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.

- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

No.	Indicator
1.	Reduction in waiting-to-service time ratio of berths targeted under the Project
2.	Improvement in occupancy and cargo handling rates of berths targeted under the Project
3.	Increase in throughput of berths targeted under the Project
4.	Preparation and commencement of implementation of business and strategic development plans for the Project Implementing Entity under Part 2 (a) of the Project
5.	Design and implementation of an environmental management system for the Project Implementing Entity under Part 2 (b) of the Project

2. The Project Implementing Entity shall provide to the Borrower not later than nine (9) months prior to the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity:
- (a) shall: (i) update and adopt as updated the Accounting Policies and Procedures Manuals, in form and substance satisfactory to the Bank; and (ii) thereafter ensure that the Project is carried out in accordance with such Manuals; and
- (b) shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof, in a manner which, in the opinion of the Bank, may materially or adversely affect Project implementation, or achievement of the objective thereof.
3. The Project Implementing Entity shall be responsible for Project financial management and disbursement through the Finance, the Accounts, and the Internal Audit Divisions.

4. The Project Implementing Entity shall maintain, throughout Project implementation, the Finance, the Accounts, and the Internal Audit Divisions with an adequate institutional framework, functions, and resources, including competent personnel in adequate numbers, as shall be required for purposes of Project implementation.
5. The Project Implementing Entity shall appoint, no later than three (3) months after the Effective Date, (a) to the Finance Division a finance manager, (b) to the Accounts Division a chief accounts officer, and (c) to the Internal Audit Division a chief internal auditor, all with qualifications, experience, and terms of reference satisfactory to the Bank as shall be required for purposes of Project implementation, and thereafter maintain such staff throughout Project implementation.
6. The Project Implementing Entity shall have its financial statements referred to in paragraph 1 above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.
7. The Project Implementing Entity shall prepare and furnish to the Bank, no later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
8. The Project Implementing Entity shall furnish to the Bank, no later than three (3) months after the Effective Date, the audit report and the associated management letter, in form and substance satisfactory to the Bank, relating to the financial statements of the Project Implementing Entity for its 2009 fiscal year.

Section III. Procurement

1. All goods, works, and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.
2. The Project Implementing Entity shall be responsible for Project procurement through the Planning and Development Division.

Section IV. 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.

Section V. Other Undertakings**Counterpart Funding**

The Project Implementing Entity shall provide, promptly as needed, the funds for its contribution for expenditures under the Project other than those financed from the proceeds of the Loan, including for purposes of implementation and monitoring and evaluation of the Environmental Management Plan, and Operating Costs.