
LOAN NUMBER 3264-PAK

LOAN AGREEMENT
(Ordinary Operations)

(Flood Emergency Reconstruction and Resilience Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 09 JULY 2015

PAK 49038

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 09 July 2015 between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for an emergency assistance loan for the purposes of the Project as described in Schedule 1 to this Loan Agreement;

(B) part of the Project will be carried out by the Province of Punjab ("Punjab"), and for this purpose the Borrower will make available to Punjab a portion of the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make an emergency assistance loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and Punjab;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(50) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and Punjab.

(b) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit; Maturity Premium (a)
The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the

amount of the credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

(c) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(d) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods

commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(b) "Consulting Services" means the services to be financed out of the proceeds of the Loan to support activities under Parts A, B and C of the Project as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(c) "EARF" means the environmental assessment and review framework prepared and submitted by the Borrower and cleared by ADB;

(d) "EMP" means the environmental management plan for a Subproject, including any update thereto, incorporated in an IEE;

(e) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(f) "GAP" means a gender action plan prepared for the Project as agreed with ADB and set out in the PAM, including any update thereto;

(g) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(h) "Haveli, Kotli and Poonch Component" means the activities under the Project to be carried out in the districts of Haveli, Kotli and Poonch affected by the flood which occurred in Pakistan on 3 September 2014, as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(i) "Implementing Agency" means, (i) for the Punjab Component, each of Punjab's Departments of Communications and Works, Planning and Development, and Irrigation, and the Provincial Disaster Management Authority responsible for the day-to-day implementation of the activities under the Punjab Component, in each case, including any successor thereto acceptable to ADB; and, (ii) for the Haveli, Kotli and Poonch Component, the entity (or entities) designated by the Borrower to be responsible for the day-to-day implementation of the activities under the Haveli, Kotli and Poonch Component, in each case, including any successor thereto acceptable to ADB;

(j) "IEE" means the initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(k) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(l) "LARF" means the land acquisition and resettlement framework prepared and submitted by the Borrower and cleared by ADB;

(m) "LARP" means the resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(n) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(o) "PAM" means the project administration manual for the Project dated 18 June 2015 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(p) "PCU" means the project coordination unit established at each Project Executing Agency in accordance with the PAM;

(q) "PIU" means each project implementing unit established at each Implementing Agency in accordance with the PAM;

(r) "Procurement Guidelines" means ADB's Procurement Guidelines (2013, as amended from time to time);

(s) "Procurement Plan" means the procurement plan for the Project dated 18 June 2015 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(t) "Project Executing Agency" for the purposes of and within the meaning of the Loan Regulations means, (i) for the Punjab Component, Punjab (acting through its Planning and Development Department) which is responsible for the carrying out of the Punjab Component, or any successor thereto acceptable to ADB; and (ii) for the Haveli, Kotli and Poonch Component, the Ministry of Kashmir Affairs and Gilgit Baltistan of the Borrower which is responsible for the carrying out of the Haveli, Kotli and Poonch Component, or any successor thereto acceptable to ADB;

(u) "Project facilities" means facilities to be rehabilitated, reconstructed or provided under the Project;

(v) "Project Management Consultants" means the project management consultants to be engaged by each Project Executing Agency or Implementing Agency in providing services including design and construction supervision, assistance in procurement and safeguard monitoring;

(w) "Punjab Component" means the activities under the Project to be carried out the districts in Punjab affected by the flood which occurred in Pakistan on 3 September 2014, as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(x) "Safeguards Monitoring Report" means each report prepared and submitted by or on behalf of the Borrower to ADB that describes progress with implementation of, and compliance with, the EMP and the LARP (as applicable), including any corrective and preventative actions;

(y) "SPS" means ADB's Safeguard Policy Statement (2009);

(z) "Subprojects" means any subproject that is eligible for financing under this Loan Agreement in accordance with paragraph 4 of Schedule 5 to this Loan Agreement; and

(aa) "Works" means construction or civil works to be financed out of the proceeds of the Loan.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred eighteen million forty thousand Dollars (\$218,040,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years and a grace period as defined in paragraph (c) of this Section.

(c) The term "grace period" as used in paragraph (b) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 January and 1 July in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (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, whether withdrawn and outstanding or unwithdrawn, 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 Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating 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 said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make the proceeds of the Loan available to each Project Executing Agency upon terms and conditions satisfactory to ADB.

(b) The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement (as appropriate).

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 December 2018 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. (a) In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower shall, and shall cause each Implementing Agency to, (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures, as applicable) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.06. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.07. The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 4.08. The Borrower shall take all actions which shall be necessary on its part to enable Punjab to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

ARTICLE V

Effectiveness

Section 5.01. A date 30 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Delegation of Authority

Section 6.01. The Borrower hereby designates the Economic Affairs Division, Ministry of Economic Affairs and Statistics as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.05 of this Loan Agreement and under Sections 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by the Economic Affairs Division, Ministry of Economic Affairs and Statistics pursuant to the authority conferred under Section 6.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 6.03. The authority conferred on the Economic Affairs Division, Ministry of Economic Affairs and Statistics under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VII

Miscellaneous

Section 7.01. The Secretary, Economic Affairs Division, Ministry of Economic Affairs and Statistics of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Secretary
Economics Affairs Division
Ministry of Economic Affairs and Statistics
Islamabad, Pakistan

Facsimile Numbers:

(92-51) 920 4086
(92-51) 921 0734

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2424

With copy to:

Asian Development Bank - Pakistan Resident Mission
Level 8, North Wing, Serena Office Complex
Khayaban-e-Suhrawardy G-5
GPO Box 1863, Islamabad
Pakistan

Facsimile Numbers:

(92-51) 208 7397-8
(92-51) 260 0365-6.


IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

ISLAMIC REPUBLIC OF PAKISTAN

By 

MUHAMMAD SALEEM SETHI
Secretary
Economic Affairs Division

ASIAN DEVELOPMENT BANK

By 

WERNER E. LIEPACH
Country Director
Pakistan Resident Mission



SCHEDULE 1

Description of the Project

1. The objective of the Project is to restore and reconstruct critical public and social infrastructure in Punjab and the flood affected districts of Haveli, Kotli and Poonch to safer standards to protect against future flooding.

2. The Project shall comprise:

(a) Part A: Road and Bridges

Rehabilitation and/or reconstruction of flood-damaged roads and bridges in Punjab and in the districts of Haveli, Kotli and Poonch, including provincial, major arterial, and district roads and bridges, to multi-hazard resilience standards.

(b) Part B: Irrigation and Flood Management Infrastructure

Reconstruction and upgrading of priority irrigation, drainage and flood protection schemes in the flood affected districts of Punjab to multi-hazard resilience standards.

(c) Part C: Disaster Risk Management ("DRM")

Strengthening DRM in Punjab and in the districts of Haveli, Kotli and Poonch through (a) human and institutional capacity development and strengthening DRM interface with the districts (downward) and other mandated institutions, (b) multi-hazard risk assessment data and system development, and (c) piloting subprojects for mitigation and adaptation.

The Project shall include the provision of technical, financial and human resources support for the effective management, implementation and evaluation of Parts A, B and C of the Project.

3. The Project is expected to be completed by 30 June 2018.

SCHEDULE 2

Amortization Schedule

(Flood Emergency Reconstruction and Resilience Project)

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 shall 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 ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Date Payment Due</u>	<u>Installment Share (Expressed as a %)</u>
1 January 2020	1.500000
1 July 2020	1.500000
1 January 2021	1.500000
1 July 2021	1.500000
1 January 2022	3.000000
1 July 2022	3.000000
1 January 2023	1.500000
1 July 2023	1.500000
1 January 2024	1.000000
1 July 2024	1.000000
1 January 2025	2.000000
1 July 2025	2.000000
1 January 2026	2.000000
1 July 2026	2.000000
1 January 2027	2.000000
1 July 2027	2.000000
1 January 2028	1.500000
1 July 2028	1.500000
1 January 2029	2.500000
1 July 2029	2.500000
1 January 2030	2.500000
1 July 2030	2.500000
1 January 2031	2.500000
1 July 2031	2.500000
1 January 2032	2.500000
1 July 2032	2.750000
1 January 2033	2.750000

<u>Date Payment Due</u>	<u>Installment Share (Expressed as a %)</u>
1 July 2033	3.000000
1 January 2034	3.000000
1 July 2034	3.000000
1 January 2035	3.000000
1 July 2035	3.000000
1 January 2036	3.000000
1 July 2036	3.000000
1 January 2037	4.000000
1 July 2037	4.000000
1 January 2038	4.000000
1 July 2038	4.000000
1 January 2039	4.000000
1 July 2039	<u>4.000000</u>
Total	100.000000

2. If the proceeds of the Loan shall not 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 as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made 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 ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two 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.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately

prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category 5 is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date in connection with the rehabilitation of roads, bridges, irrigation and flood management infrastructure in Punjab

Province, subject to a maximum amount equivalent to 30% of the Loan amount; provided that (a) the expenditures have been incurred and paid for after 3 September 2014 but not earlier than 12 months before the date of this Loan Agreement and (b) the relevant request for retroactive financing for specified expenditures has been approved by ADB in accordance with the criteria and process as set out in the PAM.

Conditions for Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for:

(a) any expenditures under the Punjab Component, until (i) an internal audit unit has been duly set up and made operational at each Implementing Agency for the Punjab Component, to ADB's satisfaction; and (ii) a PCU has been set up with adequate accounting and finance staff, to ADB's satisfaction; and

(b) any expenditures under the Haveli, Kotli and Poonch Component, until (i) an internal audit unit has been duly set up and made operational at each Implementing Agency for the Haveli, Kotli and Poonch Component, to ADB's satisfaction; and (ii) a PCU has been duly set up with adequate accounting and finance staff, to ADB's satisfaction.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Flood Emergency Reconstruction and Resilience Project)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	164,010,649		
1A	Punjab**		119,389,444	90% of total expenditure claimed
1B	Haveli, Kotli and Poonch***		44,621,205	90% of total expenditure claimed
2	Equipment and Vehicles	3,239,129		
2A	Punjab**		2,837,459	100% of total expenditure claimed*
2B	Haveli, Kotli and Poonch***		401,670	100% of total expenditure claimed*
3	Consulting Services	9,274,708		
3A	Punjab Project Management**		5,201,822	100% of total expenditure claimed*
3B	Haveli, Kotli and Poonch Project Management***		3,347,486	100% of total expenditure claimed*
3C	Punjab Capacity Building**		447,750	100% of total expenditure claimed*
3D	Haveli, Kotli and Poonch Capacity Building***		277,650	100% of total expenditure claimed*
4	Incremental Costs	8,923,056		
4A	Punjab**		7,527,305	100% of total expenditure claimed *
4B	Haveli, Kotli and Poonch***		1,395,751	100% of total expenditure claimed *
5	Interest and Commitment Charge	8,289,123		100% of amounts due
6	Contingencies	24,303,335		
6A	Punjab**		17,742,060	
6B	Haveli, Kotli and Poonch***		6,561,275	
	Total	218,040,000		

*Exclusive of sales taxes and custom duties

**Subject to the condition for withdrawal described in paragraph 7(a) of Schedule 3.

*** Subject to the condition for withdrawal described in paragraph 7(b) of Schedule 3.

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Procurement of Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below, each as described in the PAM:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Conditions for Award of Contract

6. The Borrower shall ensure that no Works contract shall be awarded for a Subproject until:
 - (a) the relevant environment authority has granted the final approval of the respective IEE; and
 - (b) the relevant provisions from the respective EMP have been incorporated into the Works contract.
7. The Borrower shall ensure that any Works contract which involves involuntary resettlement impacts is not be awarded until the Borrower has (a) prepared and submitted to

ADB the final LARP based on the Subproject's detailed design; and (b) obtained ADB's clearance of such LARP; and (c) fully implemented such LARP.

Selection of Consulting Services

8. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply Quality and Cost Based Selection (90:10) for selecting and engaging Consulting Services.

9. The Borrower shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

- (a) Single Source Selection for selecting and engaging the design and construction supervision consultants [until the relevant Project Management Consultants are engaged].

10. The Borrower may recruit individual consultants using Individual Consultant Selection for design and construction supervision consultants until the relevant Project Management Consultants are engaged in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

11. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

12. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

13. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

14. Before granting an extension of the stipulated time for completion of a contract for Goods or Works, before agreeing to any modification or waiver of the terms and conditions of such contract, including issuing any change order or orders under such contract, Borrower shall seek ADB's no objection to the proposed extension, modification, or change order. If ADB determines that the proposal would be inconsistent with the provisions

of the Loan Agreement and/or Procurement Plan, it shall promptly inform the Borrower and state the reasons for its determination. A copy of all amendments to the contract shall be furnished to ADB for its record.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Borrower and each Project Executing Agency shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower, each Project Executing Agency and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. Punjab (acting through its Planning and Development Department) shall be responsible for the carrying out of the Punjab Component. Punjab's Departments of Communications and Works, Planning and Development, and Irrigation, and the Provincial Disaster Management Authority shall be responsible for the day-to-day implementation of the activities under the Punjab Component.

3. The Borrower shall enter into such implementation arrangements, satisfactory to ADB, as the Borrower may deem necessary and appropriate for the carrying out of the Haveli, Kotli and Poonch Component, including the designation of the entities responsible for the day-to-day implementation of the Haveli, Kotli and Poonch Component.

Subproject Selection and Monitoring

4. The Borrower shall ensure and cause each Project Executing Agency to ensure that all subprojects meet, to the satisfaction of ADB, the agreed selection criteria as set out in the PAM and that all subprojects are properly approved, controlled and monitored to the satisfaction of ADB.

Ineligible Expenditures or Misprocurement

5. If it is determined by ADB, and notified to the Borrower, that any expenditures withdrawn from the Loan Account by or on behalf of the Borrower have been applied to finance:

(a) ineligible expenditures (whether by way of retroactive financing or otherwise), including but not limited to expenditures in relation to subprojects that do not satisfy the Subproject criteria or have not been approved according to the procedures set out in the PAM; or

(b) expenditures in respect of contracts that (i) do not satisfy the retroactive financing procurement parameters as detailed in the PAM; or (ii) are subject to declaration of misprocurement by ADB in accordance with its Procurement Guidelines and the arrangements set out in the PAM,

the Borrower shall promptly repay such amounts equal to such expenditures and accrued interest to ADB.

Counterpart Funding

6. The Borrower shall ensure that adequate budgetary allocations of required counterpart funds are made available and released to each Implementing Agency in a timely manner.

Operation of Project Facilities

7. The Borrower shall ensure and shall cause Punjab to ensure that the Project facilities are operated and maintained appropriately, and that adequate budgetary and other resources are provided for their operation and maintenance.

Environment, Land Acquisition and Involuntary Resettlement, and Indigenous Peoples Safeguards

8. The Borrower shall ensure and shall cause Punjab to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Subprojects and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the EARF and the relevant IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

9. The Borrower shall ensure and shall cause Punjab to ensure that, to the extent possible, Subprojects avoid or minimize land acquisition and involuntary relocation. In Subprojects where land acquisition and resettlement is required, the Borrower shall ensure and shall cause Punjab to ensure that:

(a) relevant resettlement information including information from the LARF is provided in a accessible place and in a form and language(s) understandable, or otherwise communicated promptly via other communication methods, to affected persons and other stakeholders;

(b) compensation and other entitlements have been provided to displaced persons prior to possession of lands;

(c) no land is acquired for the purposes of any of the Subprojects based on the emergency provisions under the Land Acquisition Act (1894), as amended from time to time; and

(d) land acquisition staff is increased to coordinate closely with the respective Board of Revenue and expedite land acquisition while being compliant with the SPS and provide timely finances for land acquisition and resettlement.

10. The Borrower shall ensure and shall cause Punjab to ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in a timely manner in accordance with the respective LARPs and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower and Punjab (as applicable) relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures

and requirements set forth in the LARF and LARPs, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

11. Without limiting the application of the Involuntary Resettlement Safeguards or the LARP, the Borrower shall ensure and shall cause Punjab to ensure that no physical or economic displacement takes place in connection with the Project until:

(a) compensation and other entitlements have been provided to affected people in accordance with the LARPs; and

(b) as applicable, a comprehensive income and livelihood restoration program has been established in accordance with the LARPs.

12. The Borrower shall make available and shall cause Punjab to make available necessary budgetary and human resources to fully implement the EARF, the LARF, EMPs and LARPs.

13. The Borrower shall ensure and shall cause Punjab to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

(a) comply with the measures relevant to the contractor set forth in the IEE, the EMP and the LARPs (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;

(b) make available a budget for all such environmental and social measures; and

(c) provide the Borrower with a written notice of any unanticipated environmental, land acquisition and resettlement and/or social risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the LARPs;

14. The Borrower shall do the following and shall cause Punjab to do the following:

(a) submit Safeguards Monitoring Reports to ADB semi-annually for all Subprojects, and disclose relevant information from such reports to affected persons promptly upon submission;

(b) if any unanticipated environmental, land acquisitions, resettlement and/or social risks and impacts arise during construction, implementation or operation of the relevant Subproject that were not considered in the relevant IEE, the EMP and the LARP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and update to the relevant IEE, EMP and/or LARP, as applicable, including any proposed corrective action plan; and

(c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP and the LARP promptly after becoming aware of the breach.

Prohibited List of Investments

15. The Borrower shall ensure and shall cause Punjab to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards, Health and Safety

16. The Borrower shall ensure and shall cause Punjab to ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall include and shall cause Punjab to include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

17. The Borrower shall ensure and Punjab to ensure that compliance with the requirements set forth in paragraph 16 above is strictly monitored and regular reports are provided to ADB.

Gender and Development

18. The Borrower shall ensure and shall cause Punjab to ensure that: (a) the GAP is implemented in accordance with its terms ; (b) the bidding documents and contracts for the Subproject include relevant provisions for contractors to comply with the targets set forth in the GAP; (c) adequate resources are allocated for the implementation of the GAP; and (d) progress toward achieving key gender outcome and output targets are regularly monitored and reported to ADB.

Good Governance and Transparency

19. The Borrower shall ensure and shall cause Punjab to ensure public disclosure on the website of information about how the proceeds of the Loan are being used for the intended beneficiaries following applicable procedures. The website shall present financial statements and track procurement contract awards, and include information on, among others, status of flood damages and casualties, subproject selection criteria, information on funding commitment by donors, the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of the contract awarded, the list of goods and/or procedures adopted, amount of the contract awarded, the list of goods and/or services purchased, and their intended and actual utilization.

20. The Borrower shall, and shall cause Punjab to, and ensure that each Implementing Agency (i) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its

agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

21. The Borrower shall ensure, and shall cause Punjab to ensure, that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.