
LOAN NUMBER 3474-PAK(SF)

LOAN AGREEMENT
(Special Operations)
(National Disaster Risk Management Fund)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 2nd Dec. 2016

PAK 50316

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 2nd Dec 2016 between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Borrower and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to provide a loan to the Borrower from ADB's ordinary capital resources in an amount of seventy-five million Dollars (\$75,000,000) for the purposes of the Project described in Section 3.01 of the Ordinary Operations Loan Agreement;

(B) by a cofinancing arrangement dated 27 June 2016 between the Government of Australia ("Donor") and ADB, ADB has agreed to administer an untied grant provided by the Donor for the purposes of the Project in an amount of Australian dollars four million five hundred thousand (A\$4,500,000) ("Grant");

(C) by a grant agreement of even date herewith between the Borrower and ADB ("Grant Agreement"), ADB has agreed to make the proceeds of the Grant available to the Borrower upon the terms and conditions set forth therein;

(D) the Project will be carried out by the National Disaster Risk Management Fund ("Fund") and for this purpose the Borrower will make available to the Fund the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(E) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement to be entered into between ADB and the Fund;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("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(25) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement to be entered into between ADB and the Fund, as such agreement may be amended from time to time; and such term includes all agreements supplementary to the Project Agreement and all schedules to the Project Agreement.

- (b) The term "Project Executing Agency" appearing in Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the term "Fund".

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

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to ninety million one hundred eighty thousand Special Drawing Rights (SDR 90,180,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 April and 1 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III**Description of Project; Use of Proceeds of the Loan**

Section 3.01. The Borrower shall make the proceeds of the Loan available to the Fund under the Subsidiary Grant Agreement 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 the Ordinary Operations Loan Agreement, the Grant Agreement, the Project Agreement and this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 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, all Goods, Works and Consulting Services in accordance with the provisions of Schedule 3 to the Ordinary Operations Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 17 May 2020 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 Fund to carry out the Project 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, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 4 to the Ordinary Operations Loan Agreement.

Section 4.02. (a) The Borrower shall cause the Fund to (i) maintain separate accounts and records for the Project; (ii) prepare annual statements of utilization of funds for the Project in accordance with accounting principles acceptable to ADB; (iii) have such statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the statements and the use of the Loan proceeds, 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 close of the fiscal year to which they relate, 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 statements of utilization of funds for the Project and the opinion of the auditors on the statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) In addition to the annual audited statements of utilization of funds referred to in subsection (a) hereinabove, the Borrower shall cause the Fund to (i) provide its annual financial statements prepared in accordance with financial reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iii) as part of each such audit, have the auditors prepare the auditors' opinion(s) on the financial statements and compliance with the financial covenants of the Ordinary Operations Loan Agreement; and (iv) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and auditors' opinion(s), 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.

(d) The Borrower shall cause the Fund to enable ADB, upon ADB's request, to discuss the statements of utilization of funds for the Project and the financial statements of the Fund and its financial affairs where they relate to the Project with the auditors appointed by the Fund pursuant to subsections (a)(iii) and (c)(ii) 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 Fund, unless the Fund shall otherwise agree.

Section 4.03. In addition to the reports and information set forth in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Qualified Recipient, the Qualified Subprojects and the Ongrants; and (b) the administration, operations and financial condition of the Fund.

Section 4.04. The Borrower shall enable ADB's representatives to inspect any Qualified Recipient, any Qualified Subproject, the Goods and Works, and any relevant records and documents maintained by the Fund.

Section 4.05. The Borrower shall promptly take all action, including the provision of funds, facilities, services and other resources, which shall be necessary on its part to enable the Fund 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.

Section 4.06. (a) The Borrower shall exercise its rights under the Subsidiary Grant Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Grant Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V**Suspension; Acceleration of Maturity**

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

- (a) the Borrower shall have failed to perform one or more of its obligations under the Ordinary Operations Loan Agreement;
- (b) the Borrower shall have failed to perform one or more of its obligations under the Grant Agreement;
- (c) the Borrower or the Fund shall have failed to perform one or more of their obligations under the Subsidiary Grant Agreement; or
- (d) the Memorandum and Articles or any provision thereof shall have been repealed, suspended or amended in any manner which in the reasonable opinion of ADB will or may adversely affect the carrying out of the Project or the ability of the Fund to perform one or more of its obligations under the Project Agreement.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI**Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

- (a) the Fund has been incorporated as an association not for profit under section 42 of the Pakistan Companies Ordinance, 1984; and
- (b) the Project Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Fund and shall have become fully effective and legally binding on the Fund in accordance with its terms.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII**Delegation of Authority**

Section 7.01. The Borrower hereby designates the Fund as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.01, 3.02 and 3.03 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by the Fund pursuant to the authority conferred under Section 7.01 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 7.03. The authority conferred on the Fund under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VIII**Miscellaneous**

Section 8.01. The Secretary, Economic Affairs Division, Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Secretary
Economic Affairs Division
Ministry of Finance, Revenue, Economic Affairs, Statistics and
Privatization
Government of Pakistan
Islamabad, Pakistan

Facsimile Number:

(92-51) 920-4086.

For ADB

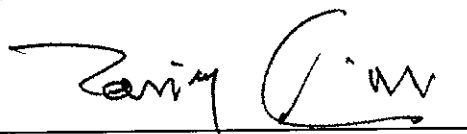
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(63-2) 636-2444
(92-51) 208-7397-98

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 

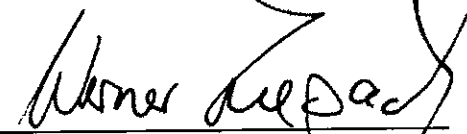
TARIQ BAJWA

Secretary

Economic Affairs Division

Ministry of Finance, Revenue, Economic
Affairs, Statistics and Privatization

ASIAN DEVELOPMENT BANK

By 

WERNER LIEPACH

Country Director

Pakistan Resident Mission

SCHEDULE 1**Amortization Schedule****(National Disaster Risk Management Fund)**

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
01 April 2022	2,254,500
01 October 2022	2,254,500
01 April 2023	2,254,500
01 October 2023	2,254,500
01 April 2024	2,254,500
01 October 2024	2,254,500
01 April 2025	2,254,500
01 October 2025	2,254,500
01 April 2026	2,254,500
01 October 2026	2,254,500
01 April 2027	2,254,500
01 October 2027	2,254,500
01 April 2028	2,254,500
01 October 2028	2,254,500
01 April 2029	2,254,500
01 October 2029	2,254,500
01 April 2030	2,254,500
01 October 2030	2,254,500
01 April 2031	2,254,500
01 October 2031	2,254,500
01 April 2032	2,254,500
01 October 2032	2,254,500
01 April 2033	2,254,500
01 October 2033	2,254,500
01 April 2034	2,254,500
01 October 2034	2,254,500
01 April 2035	2,254,500
01 October 2035	2,254,500
01 April 2036	2,254,500
01 October 2036	2,254,500
01 April 2037	2,254,500
01 October 2037	2,254,500
01 April 2038	2,254,500
01 October 2038	2,254,500
01 April 2039	2,254,500
01 October 2039	2,254,500
01 April 2040	2,254,500
01 October 2040	2,254,500

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
01 April 2041	2,254,500
01 October 2041	2,254,500
Total	90,180,000

- * The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 2**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 Charge

3. The amount allocated to Category 6 is for financing interest charge 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 charge.

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, in consultation with 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, in consultation with 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.

Conditions for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account until:

- (a) the Fund shall have appointed financing and accounting specialists for the finance and accounts departments of the Fund with qualifications, experience and expertise acceptable to ADB; and
- (b) the Subsidiary Grant Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and the Fund.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (National Disaster Risk Management Fund)				
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Endowment Fund	72,144,000		100% of the total expenditure claimed
2	Consultants	4,834,000		
2A	Project Management Consultants		1,328,000	90% of the total expenditure claimed
2B	Disaster Risk Financing Strategy and Instrument Development		3,506,000	45% of the total expenditure claimed
3	Multihazard Vulnerability Risk Assessment Studies	2,525,000		56% of the total expenditure claimed *
4	Fund Operations	1,309,000		90% of the total expenditure claimed
5	Incremental Staff Cost	4,161,000		100% of the total expenditure claimed *
6	Interest Charges	3,414,000		100% of amount due
7	Unallocated	1,793,000		
	Total	90,180,000		

*Exclusive of taxes and duties imposed within the territory of the Borrower.