
LOAN NUMBER 3473-PAK

LOAN AGREEMENT
(Ordinary Operations)

(National Disaster Risk Management Fund)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 2nd Dec. 2016

PAK 50316

**LOAN AGREEMENT
(Ordinary Operations)**

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

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Section 3.01 of this Loan Agreement;

(B) 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;

(C) by a loan agreement of even date herewith between the Borrower and ADB ("Special Operations Loan Agreement"), ADB has agreed to provide a loan to the Borrower in various currencies equivalent to ninety million one hundred eighty thousand Special Drawing Rights (SDR90,180,000) for the purposes of the Project;

(D) 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");

(E) 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; and

(F) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital 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 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 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 7.04(b), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term "Fund".

- (c) 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 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.

- (d) 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.

- (e) 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 as described in Schedule 3 to this Loan Agreement;

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

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

(e) "ESMS" means an environmental and social management system for the Project, including any update thereto, prepared and submitted by the Fund and cleared by ADB;

(f) "Fund" means the National Disaster Risk Management Fund to be incorporated as an association not for profit under section 42 of the Pakistan Companies Ordinance, 1984;

(g) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;

(h) "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;

(i) "IEE" means an initial environmental examination for a Qualified Subproject, including any update thereto, prepared by the Fund pursuant to the requirements set forth in the ESMS and (i) cleared by ADB for a period of two years from the Effective Date; or (ii) cleared by the Fund after such two year period following a satisfactory independent review of the ESMS;

(j) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(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) "IPP" means an indigenous peoples plan for a Qualified Subproject, including any update thereto, prepared by the Fund pursuant to the requirements set forth in the ESMS and (i) cleared by ADB for a period of two years from the Effective Date; or (ii) cleared by the Fund after such two year period following a satisfactory independent review of the ESMS;

(m) "LARP" means a land acquisition and resettlement plan for a Qualified Subproject, including any update thereto, prepared by the Fund pursuant to the requirements set forth in the ESMS and (i) cleared by ADB for a period of two years from the Effective Date; or (ii) cleared by the Fund after such two year period following a satisfactory independent review of the ESMS;

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

(o) "Memorandum and Articles" means the memorandum and articles of association of the Fund, as amended from time to time;

(p) "NDMP" means the National Disaster Management Plan 2013-2022 of the Borrower;

(q) "NFPP-IV" means the National Flood Protection Plan IV to be approved by the Borrower;

(r) "Ongrant" means a grant made, or proposed to be made, by the Fund out of the proceeds of the Loan to a Qualified Recipient for a Qualified Subproject;

(s) "PAM" means the project administration manual for the Project dated 13 October 2016 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;

(t) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(u) "Procurement Plan" means the procurement plan for the Project dated 13 October 2016 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;

(v) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Economic Affairs Division of the Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization of the Borrower or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(w) "Qualified Recipient" means a recipient, which satisfies the accreditation criteria to be prepared and submitted by the Fund in accordance with the requirements set out in paragraph 2 of Schedule 4 to this Loan Agreement, and cleared by ADB;

(x) "Qualified Subproject" means a specific subproject, which satisfies the eligibility criteria set out in paragraphs 3 and 4 of Schedule 4 to this Loan Agreement, to be carried out by a Qualified Recipient;

(y) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB on the Fund's performance with regard to the ESMS, including any corrective and preventative actions;

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

(aa) "Subsidiary Grant Agreement" means the agreement between the Borrower and the Fund referred to in Section 3.02 of this Loan Agreement; and

(bb) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II**The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of seventy-five million Dollars (\$75,000,000), 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 subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) 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 2.02. 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 April and 1 October 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 1 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

Description of Project; Use of Proceeds of the Loan

Section 3.01. The Project for which the Loan is made includes (a) the establishment and operationalization of the Fund, including recruitment of its personnel; capitalization of the Fund through the establishment of an endowment fund; and development of its operational procedures and rules, including due diligence and fiduciary arrangements; (b) financing by the Fund of Qualified Subprojects through Ongrants to Qualified Recipients; and (c) quantitative risk modelling analysis to develop a comprehensive national disaster risk financing strategy; development of two priority financing instruments specified in the national disaster risk financing strategy; and piloting of one of the priority financing instruments, all in accordance with this Loan Agreement, the Special Operations Loan Agreement, the Grant Agreement and the Project Agreement.

Section 3.02. The Borrower shall enter into a Subsidiary Grant Agreement with the Fund, providing inter alia for the ongranting of the proceeds of the Loan to the Fund, the carrying out of the Project, and the rights of the Borrower and ADB with respect thereto. Such Subsidiary Grant Agreement shall be in form and on terms and conditions acceptable to ADB, and shall be without prejudice to, and without limitation on, the obligations of the Borrower under this Loan Agreement.

Section 3.03. 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 3.04. (a) The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

(b) 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 this Loan Agreement.

Section 3.05. With respect to the amount included in the Loan for financing interest and commitment charges on the Loan during the implementation 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.

Section 3.06. The Loan Closing Date for the purposes of Section 9.02 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 this Loan Agreement and the Project 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 this 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 7.04 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 Recipients, 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 or the Project 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 9.01(l) of the Loan Regulations:

- (a) the Borrower shall have failed to perform one or more of its obligations under the Special 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 9.07(a)(iv) 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 10.01(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 10.04 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 3.03 and 3.04 of this Loan Agreement and under Sections 6.01, 6.02, 6.03 and 6.04 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 12.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 12.01 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)**

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.

Payment Due	Installment Share (Expressed as a %)
1 April 2022	1.250000
1 October 2022	1.250000
1 April 2023	1.250000
1 October 2023	1.250000
1 April 2024	1.250000
1 October 2024	1.250000
1 April 2025	1.350000
1 October 2025	1.350000
1 April 2026	1.700000
1 October 2026	1.700000
1 April 2027	3.250000
1 October 2027	3.250000
1 April 2028	2.700000
1 October 2028	2.700000
1 April 2029	2.700000
1 October 2029	2.700000
1 April 2030	2.950000
1 October 2030	2.950000
1 April 2031	3.250000
1 October 2031	3.250000
1 April 2032	3.250000
1 October 2032	3.250000
1 April 2033	3.550000
1 October 2033	3.550000
1 April 2034	3.550000
1 October 2034	3.550000
1 April 2035	3.450000
1 October 2035	3.450000

Payment Due	Installment Share (Expressed as a %)
1 April 2036	3.450000
1 October 2036	3.450000
1 April 2037	3.200000
1 October 2037	3.000000
1 April 2038	2.000000
1 October 2038	2.000000
1 April 2039	2.000000
1 October 2039	2.000000
1 April 2040	2.000000
1 October 2040	2.000000
1 April 2041	2.000000
1 October 2041	2.000000
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 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 and Commitment Charges

3. The amount allocated to Category 3 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, 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:

- (a) until 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;
- (b) until 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; and
- (c) under Item 2 for the purposes of any Qualified Subproject, until the Borrower shall have caused the Fund to establish the ESMS in a manner satisfactory to ADB.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (National Disaster Risk Management Fund)			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Consulting Services – Disaster Risk Financing	4,860,000	45% of total expenditure claimed
2	Disaster Risk Reduction	59,148,000	70% of total expenditure claimed
3	Interest and Commitment Charges	2,047,227	100% of amount due
4	Unallocated	8,944,773	
	Total	75,000,000	

SCHEDULE 3**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.

Eligible Source of Procurement of Goods, Works and Consulting Services

3. Goods, Works and Consulting Services may also be procured under the Project from non-member countries of ADB.

Procurement of Goods, Works and Consulting Services by the Fund

4. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
5. Goods and Works shall be procured on the basis of the following procurement method: Shopping.
6. Except as set forth in paragraphs 7 and 8 below, the Borrower shall ensure that the Fund applies Quality- and Cost-Based Selection for Consulting Services.
7. The Borrower shall ensure that the Fund applies the following selection method for the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Least-Cost Selection for legal services and auditing services.
8. The Borrower shall recruit the individual consultants in accordance with procedures acceptable to ADB for recruiting individual consultants.

ADB's Review of Procurement Decisions by the Fund

9. 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.

10. In the case of a contract for Goods or Works, which is subject to ADB's prior review, the Borrower shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:

- (a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Loan/Grant Closing Date; and
- (b) increases in aggregate of the original price by more than 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

11. In the case of a contract for Goods or Works, which is subject to ADB's post review, ADB shall review the required contract modification or waiver and respond to the Borrower as soon as practicable, but not later than 1 month after the receipt of the required document.

12. The Borrower shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including change orders) within 1 month following amendment of the contract.

Procurement by Qualified Recipients

13. The Borrower shall cause the Fund to ensure that each Qualified Recipient undertakes procurement of Goods, Works, and Consulting Services with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.

Industrial or Intellectual Property Rights

14. (a) The Borrower shall cause the Fund to ensure that all Goods and Works procured by the Qualified Recipient (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 cause the Fund to ensure that all contracts entered into by the Qualified Recipient 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) hereinabove.

15. The Borrower shall cause the Fund to ensure that all ADB-financed contracts entered into by the Qualified Recipient 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.

SCHEDULE 4**Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower shall, and shall cause the Fund to, 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, the Fund and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Accreditation Criteria for Qualified Recipients

2. Prior to the selection of any Qualified Recipients, the Borrower shall cause the Fund to develop accreditation criteria, acceptable to ADB, on the basis of which the Qualified Recipients shall be selected. The accreditation criteria shall, at minimum, include a review of:

- (a) the organizational structure of the potential Qualified Recipient;
- (b) the legal and regulatory system under which the potential Qualified Recipient is established and operates;
- (c) the management structure and capacity of the potential Qualified Recipient;
- (d) the internal checks and balances, book and record keeping and auditing system of the potential Qualified Recipient;
- (e) financing records and accounts and annual financial turnover for the preceding 3 years of the potential Qualified Recipient;
- (f) the technical qualifications, experience and expertise of the potential Qualified Recipient to undertake the proposed Qualified Subproject;
- (g) the quality control mechanisms and practices (including safeguards compliance, reporting and monitoring) of the potential Qualified Recipient; and
- (h) transparency of procurement process of the potential Qualified Recipient.

Criteria for Qualified Subproject

3. The Borrower shall cause the Fund to ensure that each Qualified Subproject shall be for activities that:

- (a) do not involve any environmental, involuntary resettlement or indigenous peoples impacts, which can be categorized as Category A, all within the meaning of the SPS; and

- (b) are not included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

4. The Borrower shall cause the Fund to ensure that each Qualified Subproject shall meet the following minimum criteria:

- (a) it is identified as a priority within the NDMP or the NFPP-IV;
- (b) its scope is within the activities outlined in the business plan of the Fund as approved by its Board of Directors;
- (c) its expected results are aligned with the outcome and output targets set out in the Fund's design and monitoring framework;
- (d) it is located within the territory of the Borrower and has been prioritized under the available geographic risk and vulnerability mapping related to different disasters;
- (e) its proposal includes technical data on natural hazards and disaster risks which is aligned with the disaster risk management targets and outcomes the Project is expected to achieve;
- (f) it has clearly defined inputs and costs that conform to the standard norms and quality control checklist developed and updated, from time to time, by the Fund for different disaster risk management activities;
- (g) it is technically feasible, and the proposed intervention provides the most cost effective solution, and the proposed Qualified Subproject for structural investments (civil works and equipment) shall be economically viable and financially sustainable with its estimated economic rate of return equal to or higher than 12% based on the economic analysis to be conducted in accordance with ADB's Guidelines for the Economic Analysis of Projects or other procedures acceptable to ADB;
- (h) it is in compliance with applicable laws and regulations of the Borrower and the SPS;
- (i) it has been prepared in accordance with the requirements of the ESMS;
- (j) if applicable, its proposal includes an EMP and an IEE which have been prepared and disclosed in accordance with the requirements of the ESMS;
- (k) if applicable, its proposal includes an LARP which has been prepared and disclosed in accordance with the requirements of the ESMS;

- (l) if applicable, its proposal includes an IPP which has been prepared and disclosed in accordance with the requirements of the ESMS;
- (m) it complies with the Borrower's National Policy Guidelines on Vulnerable Groups in Disasters;
- (n) it complies with the gender criteria developed for the proposal screening and selection of the Qualified Subprojects;
- (o) it can be implemented during the implementation period of the Project; and
- (p) its proposal is submitted in the format developed by the Fund.

Screening, Categorization, and Environmental and Social Assessment and Planning

5. The Borrower shall cause the Fund to ensure that before any Qualified Subproject is approved for financing:

- (a) the ESMS is used to screen and categorize the significance of potential environmental, involuntary resettlement or indigenous peoples impacts associated with such Qualified Subproject;
- (b) an IEE, an EMP, an LARP and/or an IPP are prepared for such Qualified Subproject as required pursuant to the ESMS; and
- (c) if such Qualified Subproject is Category B within the meaning of the SPS, the IEE, the EMP, the LARP and/or the IPP are (i) cleared by ADB for a period of two years from the Effective Date; or (ii) cleared by the Fund after such two year period following a satisfactory independent review of the ESMS.

Environment

6. The Borrower shall cause the Fund to ensure that the preparation, design construction, implementation, operation and decommissioning of each Qualified Subproject comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environment Safeguards; (c) the ESMS; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

7. The Borrower shall cause the Fund to ensure that all land and all rights-of-way required for each Qualified Subproject are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the ESMS; and (d) all measures and

requirements set forth in the respective LARP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

8. Without limiting the application of the Involuntary Resettlement Safeguards, the ESMS or the LARP, the Borrower shall cause the Fund to ensure that no physical or economic displacement takes place in connection with any Qualified Subproject until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the LARP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the LARP.

9. Without limiting the application of the Involuntary Resettlement Safeguards or the LARP, the Borrower shall ensure and cause the Fund to ensure that no land shall be acquired for the purposes of the Project under the emergency acquisition provisions of the Borrower's Land Acquisition Act, 1894, as amended from time to time.

Indigenous Peoples

10. The Borrower shall cause the Fund to ensure that the preparation, design construction, implementation and operation of each Qualified Subproject comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; (c) the ESMS; and (d) all measures and requirements set forth in the respective IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

11. The Borrower shall cause the Fund to ensure that necessary budgetary and human resources are made available to fully implement the ESMS.

Safeguard Monitoring and Reporting

12. The Borrower shall cause the Fund to do the following:
- (a) submit semiannual Safeguards Monitoring Reports to ADB;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during Qualified Subproject implementation, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
 - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the ESMS and any EMP, LARP or IPP promptly after becoming aware of the breach.

Labor Standards, Health and Safety

13. The Borrower shall cause the Fund to ensure that the Fund and the Qualified

Recipients comply with the core labor standards and the Borrower's applicable laws and regulations during Project implementation. The Borrower shall cause the Fund to include and cause the Qualified Recipients 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.

14. The Borrower shall and shall cause the Fund to strictly monitor compliance with the requirements set forth in paragraph 13 above and provide ADB with regular reports.

Gender and Development

15. The Borrower shall and shall cause the Fund to ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to: (i) at least 20% of the core staff of the Fund are female; and (ii) a social and gender specialist responsible for the implementation and monitoring of the social, poverty and gender dimensions of the Project is appointed for the Fund within four months of the Effective Date.

Counterpart Support

16. The Borrower shall ensure that (a) counterpart funds necessary for the smooth and successful completion of the Project are provided in a timely manner; and (b) additional funds, as and when needed, shall be provided to meet any Project shortfall or cost overruns.

Endowment Fund

17. The Borrower shall cause the Fund to ensure that the endowment fund shall be established, operated and maintained by the Fund in accordance with rules, regulations and procedures acceptable to ADB.

18. To ensure the financial viability and sustainability of the Fund, the Borrower shall cause the Fund to ensure that, unless ADB agrees otherwise, earnings generated from the endowment fund shall be used for (a) the Fund's recurrent costs starting from the fourth year of the Fund's operations; (b) additional investments in interest/profit bearing securities; and (c) financing of disaster risk reduction activities, as approved, from time to time, by the Board of Directors of the Fund.

Financial Covenants

19. The Borrower shall ensure that the Fund develops and formally adopts policy manuals covering all areas of operations, finance and accounts, and procurement and human resources within three months of the Effective Date.

20. The Borrower shall ensure that the Fund procures, installs and implements computerized accounting software to automate the accounting and reporting processes to ensure that the financial statements are free of material errors and misstatements as well as to ensure timely submission and resolution of issues within four months of the Effective Date.

21. The Borrower shall ensure that the Fund develops a financial and management reporting package with reporting frequency schedule and due dates based on the workdays within four months of the Effective Date.

22. The Borrower shall ensure that the Fund conducts training and capacity building workshops for its staff regarding ADB's procedures and reporting requirements within four months of the Effective Date.

23. The Borrower shall ensure that with effect from the financial year ending 30 June 2017 and for each succeeding financial year, the Fund (a) complies with the Corporate Governance Guidelines of the Securities and Exchange Commission of Pakistan; and (ii) submits to ADB, together with the annual audit report of the Fund's financial statements, an audited statement of compliance with such Corporate Governance Guidelines, as required under the Code of Corporate Governance, 2013 of the Securities and Exchange Commission of Pakistan.

24. The Borrower shall ensure that the Fund establishes an independent internal audit function and appoint an internal auditor at a senior level with professional qualifications and strong audit experience, who shall report to the audit committee of its Board of Directors within 6 months of the Fund's operations.

25. The Borrower shall cause the Federal Board of Revenue to grant a tax exempt status to the Fund under the Second Schedule to the Income Tax Ordinance, 2001 within 6 months of the Effective Date.

Operational/Sector Performance Covenants

26. The Borrower shall ensure that ADB is regularly appraised on the Borrower's policies concerning the disaster risk management and shall be consulted prior to any changes to the NDMP and/or the NFPP-IV.

27. The Borrower shall ensure timely implementation of the NDMP, NFPP-IV and the Project and shall regularly monitor and evaluate the implementation of the Project.

Governance and Anticorruption

28. The Borrower, the Project Executing Agency and the Fund shall (a) 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 (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

29. The Borrower, the Project Executing Agency and the Fund shall ensure that all contracts in relation to the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

30. The Borrower shall ensure that the Fund:

- (a) complies with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
- (b) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
- (c) promptly informs the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs the Fund of its concern that there has been such an alleged violation, the Fund shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.