
LOAN NUMBER 3395-PAK
[Additional to Loan No. 3300-PAK and
Grant No. 0440-PAK (EF)]

LOAN AGREEMENT
(Ordinary Operations)

(National Motorway M-4 Gojra-Shorkot-Khanewal Section Project – Additional Financing)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 20 JUNE 2016

PAK 48402

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 20 JUNE 2016 between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 22 October 2015 between the Borrower and ADB ("Initial ADB Loan Agreement"), ADB agreed to make a loan to the Borrower from ADB's ordinary capital resources in the amount of one hundred seventy-eight million Dollars (\$178,000,000) for the purposes of financing part of the expenditures of the project described in Schedule 1 to the Initial ADB Loan Agreement ("Initial Project");

(B) the United Kingdom of Great Britain and Northern Ireland ("UK"), represented by the Department for International Development ("DFID"), agreed to provide a grant to the Borrower in the amount of fifty-eight million eight hundred fifty thousand British Pounds (£58,850,000) ("Initial UK Grant") for the purposes of financing part of the expenditures of the Initial Project, which such grant is being fully administered by ADB pursuant to its relevant cofinancing arrangement with DFID ("DFID Cofinancing Agreement") and subject to the terms and conditions of an externally financed grant agreement dated 22 October 2015 between the Borrower and ADB ("Initial EF Grant Agreement");

(C) the Initial Project is being carried out by the Borrower's National Highway Authority ("NHA"), and by a project agreement dated 22 October 2015 between NHA and ADB, NHA undertook certain obligations towards ADB in connection with the Initial Project;

(D) the Borrower has applied to ADB for an additional loan for the purpose of financing part of the expenditures of the Project described in Schedule 1 to this Loan Agreement, which comprises construction of a new road section of the Borrower's National Motorway M-4 that connects with the road section being constructed under the Initial Project;

(E) the UK, represented by DFID, has agreed to provide an additional grant to the Borrower in the amount of twenty-three million four hundred eighty thousand British Pounds (£23,480,000) ("Additional UK Grant") for the purposes of financing part of the expenditures the Project, such grant to be fully administered by ADB pursuant to the DFID Cofinancing Agreement and subject to the terms and conditions of an externally financed grant agreement of even date herewith between the Borrower and ADB ("Additional EF Grant Agreement");

(F) by a loan agreement to be entered into between the Borrower and the Asian Infrastructure Investment Bank ("AIIB") ("AIIB Loan Agreement"), it is expected that AIIB will provide a loan to the Borrower in the amount of one hundred million Dollars (\$100,000,000) ("AIIB Loan") for the purposes of financing part of the expenditures of the Project, such loan to be administered by ADB in accordance with the terms and conditions of a cofinancing agreement between AIIB and ADB ("AIIB Cofinancing Agreement");

(G) as with the Initial Project, the Project will be carried out by NHA, and for this purpose the Borrower will make available to NHA the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(H) ADB has agreed to make an additional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement between ADB and NHA;

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 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.

(b) 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.

(c) 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) "CEIA" means the cumulative environmental impact assessment;
- (b) "EIA" means the environmental impact assessment for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (c) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the EIA;
- (d) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (e) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (f) "LARP" means the land acquisition and resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (g) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);
- (h) "PAM" means the project administration manual for the Project dated 10 May 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;
- (i) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (j) "Procurement Plan" means the procurement plan for the Project dated 10 May 2016 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines and other arrangements agreed with ADB;
- (k) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the NHA, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (l) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, the EMP and the LARP, including any corrective and preventative actions;
- (m) "SPS" means ADB's Safeguard Policy Statement (2009);
- (n) "SSEMP" means a site specific environmental management plan; and

(o) "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 one hundred million Dollars (\$100,000,000), 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 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 December and 1 June 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. 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.

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 31 December 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 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.

Section 4.02. The Borrower shall make available, promptly as needed, 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. 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 4.04. The Borrower shall enable ADB's representatives to inspect the Project and Works, and any relevant records and documents.

Section 4.05. The Borrower shall take all action which shall be necessary on its part to enable NHA 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

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 loan under the Initial ADB Loan Agreement shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date;

- (b) the Borrower shall have failed to perform any of its obligations under the Initial EF Grant Agreement or the Additional EF Grant Agreement;
- (c) the Initial UK Grant or the Additional UK Grant shall have become liable for suspension or cancellation;
- (d) the DFID Cofinancing Agreement or the AIIB Cofinancing Agreement shall have been suspended or cancelled; and
- (e) the AIIB Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event 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 Additional EF Grant Agreement shall have been duly executed and delivered and all conditions to its effectiveness (other than effectiveness of this Loan Agreement, the AIIB Loan Agreement and the AIIB Cofinancing Agreement) shall have been fulfilled;
- (b) the AIIB Cofinancing Agreement shall have been duly executed and delivered and all conditions to its effectiveness (other than, if applicable, effectiveness of this Loan Agreement, the AIIB Loan Agreement and the EF Grant Agreement) shall have been fulfilled; and
- (c) the AIIB Loan Agreement shall have been duly executed and delivered on behalf of, and shall have become legally binding upon, the Borrower, and all conditions precedent to its effectiveness (other than, if applicable, a condition requiring the effectiveness of this Loan Agreement, the Additional EF Grant Agreement and the AIIB Cofinancing Agreement) shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Additional EF Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and is legally valid and binding upon the Borrower in accordance with its terms, subject only to the effectiveness of this Loan Agreement and the AIIB Loan Agreement.

Section 6.03. A date 90 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 VII

Delegation of Authority

Section 7.01. The Borrower hereby designates NHA 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 7.02. Any action taken or any agreement entered into by NHA 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 NHA 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 of the 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

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

Facsimile Numbers:

(92-51) 920-4086
(92-51) 920-2019.

For ADB

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

Facsimile Numbers:

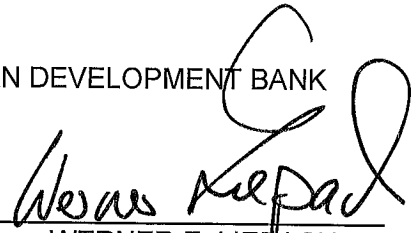
(632) 636-2444
(632) 636-2340.

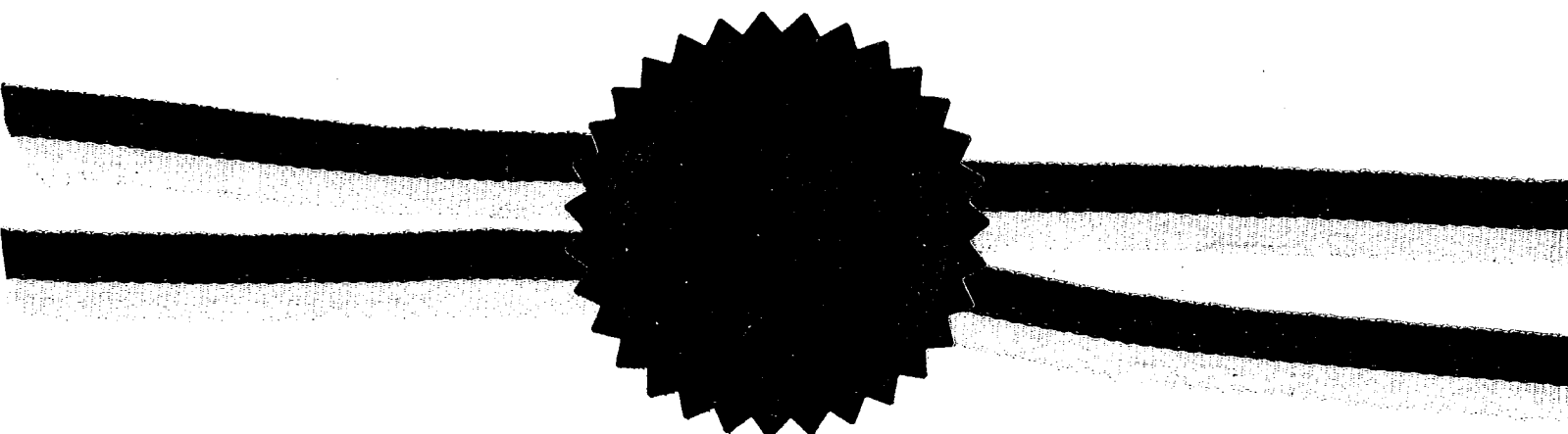
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

ISLAMIC REPUBLIC OF PAKISTAN

By 
TARIQ BAJWA
Secretary
Economic Affairs Division

ASIAN DEVELOPMENT BANK

By 
WERNER E. LIEFACH
Country Director
Pakistan Resident Mission



SCHEDULE 1

Description of the Project

1. The objective of the Project and the Initial Project is to achieve a more efficient and safer transport corridor between Islamabad, Faisalabad and Multan ensuring enhanced connectivity between the various parts of the country.
2. The Project shall comprise the construction of a new 64 km four-lane, access controlled motorway connecting Shorkot and Khanewal.
3. The Project is expected to be completed by 30 June 2020.

SCHEDULE 2

Amortization Schedule

(National Motorway M-4 Gojra-Shorkot-Khanewal Section Project – Additional Financing)

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.

Date Payment Due	Installment Share (Expressed as a %)
1 December 2021	1.750000
1 June 2022	1.750000
1 December 2022	1.750000
1 June 2023	1.750000
1 December 2023	1.750000
1 June 2024	1.750000
1 December 2024	1.750000
1 June 2025	1.750000
1 December 2025	2.250000
1 June 2026	2.250000
1 December 2026	2.500000
1 June 2027	2.500000
1 December 2027	2.500000
1 June 2028	2.500000
1 December 2028	2.750000
1 June 2029	2.750000
1 December 2029	2.750000
1 June 2030	2.750000
1 December 2030	2.750000
1 June 2031	2.750000
1 December 2031	2.750000
1 June 2032	2.750000
1 December 2032	2.750000
1 June 2033	2.750000
1 December 2033	2.750000
1 June 2034	2.750000
1 December 2034	2.750000

Date Payment Due	Installment Share (Expressed as a %)
1 June 2035	2.750000
1 December 2035	2.750000
1 June 2036	2.750000
1 December 2036	2.750000
1 June 2037	2.750000
1 December 2037	2.750000
1 June 2038	2.750000
1 December 2038	2.750000
1 June 2039	2.750000
1 December 2039	2.750000
1 June 2040	2.750000
1 December 2040	2.750000
1 June 2041	2.750000
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 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 2 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.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for financing of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with Works, subject to a maximum amount equivalent to 15% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (National Motorway M-4 Gojra-Shorkot-Khanewal Section Project – Additional Financing)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Civil Works*	95,700,000	48.1% of total expenditure claimed
2	Interest and Commitment Charge	4,300,000	100% of amounts due
	Total	100,000,000	

* Financing allocated to this item under this Loan Agreement and the AIB Loan Agreement will be utilized first at 48.1% and 45.9%, respectively, of every claim until such financing has been utilized in full. Thereafter, financing allocated to this item under the EF Grant Agreement will be utilized at 94% of every claim.

SCHEDULE 4

Procurement of Works

General

1. The procurement of Works shall be subject to and governed by the Procurement Guidelines.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Works

3. Except as ADB may otherwise agree, Works shall only be procured on the basis of International Competitive Bidding.
4. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Conditions for Award of Contract

5. The Borrower shall not award any Works contract which involves environmental impacts until the NHA has:
 - (a) obtained the final approval of the EIA from the Pakistan Environmental Protection Agency; and
 - (b) incorporated the relevant provisions from the EMP into the Works contract.
6. The Borrower shall not award any Works contract involving involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final LARP based on the detailed design, and obtained ADB's clearance of such LARP.

Industrial or Intellectual Property Rights

7. (a) The Borrower shall ensure that all 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 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.

ADB's Review of Procurement Decisions

8. In the case of a contract for 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 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).

9. In the case of a contract for 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.

10. 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.

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

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

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

Counterpart Funding

2. The Borrower shall ensure that, throughout the Project implementation period, adequate budgetary allocations of the required counterpart funds are approved and released in a timely manner. Without limiting the generality of the foregoing, before the end of each year, the Borrower shall furnish ADB with a public investment project plan for the succeeding year demonstrating availability of funds necessary for the Project. As part of its counterpart funding commitment, the Borrower shall ensure that no taxes, duties or similar mandatory payments are levied on the Project expenditures within its territory and that it allocates the necessary amount of budgetary funds to NHA or other appropriate entity to bear the cost of such taxes, duties or similar mandatory payments that accrue on Project expenditures.

Restructuring of NHA's Balance Sheet

3. To ensure the long-term financial sustainability of NHA, the Borrower shall promptly take the necessary actions to address the accumulated indebtedness (including accrued interest thereon) on NHA's balance sheet through, among other options, (i) conversion of loans and accrued interest into equity, (ii) lengthening of the principal repayment period of loans, and/or (iii) reduction in interest rates on loans.

4. Without limiting the generality of the Borrower's obligation set forth in paragraph 3 above, the Borrower shall ensure that the Government of United Kingdom-funded and ADB-administered capacity development technical assistance for Enabling Economic Corridors Through Sustainable Transport Sector Development (as approved by ADB in 2015) shall include as one of its components preparation of a detailed financial restructuring plan in respect of NHA's balance sheet consistent with the provisions of paragraph 3 above. The relevant authorities of the Borrower shall have approved such financial restructuring plan by no later than 31 December 2017, and thereafter such plan shall be implemented in accordance with its terms.

Environment

5. The Borrower shall ensure, and cause NHA to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project 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; and (c) all measures and

requirements set forth in the EIA, the CEIA, the EMP, the SSEMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

6. The Borrower shall ensure, and cause NHA to ensure, that all land and all rights-of-way required for the Project and all Project facilities 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; and (c) all measures and requirements set forth in the LARP, and any corrective or preventative actions plan set forth in a Safeguards Monitoring Report.

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

- (a) compensation and other entitlements at full replacement costs 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.

8. Without limiting the application of the Involuntary Resettlement Safeguards or the LARP, the Borrower shall ensure, and cause NHA 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

9. The Borrower shall ensure, and cause NHA to ensure, that the Project does not cause any impact on indigenous people within the meaning of the SPS. If there is such an impact the Borrower shall cause NHA to prepare, disclose and implement an indigenous peoples plan in accordance with all applicable laws and regulations of the Borrower relating to indigenous peoples and the SPS.

Human and Financial Resources to Implement Safeguards Requirements

10. The Borrower shall make available, and cause NHA to make available, necessary budgetary and human resources to fully implement the EMP and the LARP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

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

- (a) prepare an SSEMP which shall be finalized by the NHA and submitted for approval by ADB; such SSEMP to be based on the EMP as required in the EIA;

- (b) comply with the measures relevant to the contractor set forth in the EIA, the CEIA, the EMP, the SSEMP, and the LARP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and the Borrower;
- (c) make available a budget for all such environmental and social measures;
- (d) provide NHA and the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the EIA, the CEIA, the EMP, the SSEMP or the LARP;
- (e) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (f) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

12. The Borrower shall do the following and cause NHA to do the following:
- (a) submit semiannual reports during construction and annual reports thereafter with separate environmental and social Safeguards Monitoring Reports to ADB, and disclose relevant information from such reports to affected people promptly upon submission;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the EIA, the CEIA, the EMP, the SSEMP or the LARP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
 - (c) no later than 2 months after the effective date of the Loan Agreement, engage qualified and experienced external experts or qualified NGOs will be engaged under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external monitoring experts;

- (d) reports prepared by the external monitoring experts or qualified NGOs shall be submitted semiannually with the Safeguards Monitoring Reports; and
- (e) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, the SSEMP or the LARP promptly after becoming aware of the breach.

Prohibited List of Investments

13. The Borrower shall ensure, or cause NHA 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.

Health and Labor Standards

14. The Borrower shall ensure, and cause NHA to ensure, that the core labor standards and the Borrower's applicable labor laws and regulations are complied with during Project implementation. The Borrower shall ensure, or cause NHA to ensure, that contractors, other providers of goods and services, and their subcontractors, engaged under contracts for Works, have Works contracts which include specific clauses to: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) comply with all legally mandated provisions on health, sanitation, and appropriate working conditions, including accommodation where appropriate for construction workers at construction campsites; (c) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Works; (d) provide equal pay to men and women for work of equal type; (e) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities for male and female workers at the Works sites; (f) maximize female training and employment; (g) conduct an information and education campaign on sexually transmitted diseases and HIV/AIDS for construction workers as part of the health and safety program at campsites and adjacent communities during Works implementation; (h) allow freedom of association and effectively recognize the right to collective bargaining; and (i) abstain from forced or child labor.

15. The Borrower shall ensure, and cause NHA to ensure, that there are public awareness campaigns on human trafficking, particularly of women and children, carried out to reduce the risk of trafficking around construction camps and bus and other transport facilities.

16. The Borrower shall ensure, and cause NHA to ensure, compliance with the labor standards and provide ADB with regular reports.

Operations and Maintenance

17. The Borrower shall ensure, or cause NHA to ensure, that sufficient funds are available for maintenance of the Project facilities for the lifetime of those Project facilities.

Governance and Anticorruption

18. The Borrower shall ensure, or cause NHA to ensure, that NHA (a) complies with ADB's Anticorruption Policy (1998, as amended to date) and acknowledges 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) cooperates with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

19. The Borrower shall ensure, or cause NHA 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.

20. On or before the date that is 6 months after the Effective Date, the Borrower shall cause NHA to establish a website for the Project on which key information about the Project will be made available. The Project website will be accessible to the public and will include the following information about the Project: (a) Project scope, structure, responsible agencies, impact, outcome and outputs; (b) status of Project targets; (c) procurement and consulting services information, including announcement of bidding processes, bidding procedures, list of participating bidders, names of winning bidders, amount of contract awards and a description of the goods or services procured; and (d) all key safeguards related documentation, including the EMP and LARP. The Project website will be updated regularly and its content will be presented in the English, Urdu and Pushto languages.