
GRANT NUMBER 0482-PAK(EF)
[Additional to Grant No. 0440-PAK (EF) and
Loan No. 3300-PAK]

GRANT AGREEMENT
(Externally Financed)

(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

**GRANT AGREEMENT
(Externally Financed)**

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

WHEREAS

(A) by a loan agreement dated 22 October 2015 between the Recipient and ADB ("Initial ADB Loan Agreement"), ADB agreed to make a loan to the Recipient from ADB's ordinary capital resources in the amount of one hundred seventy-eight million Dollars (\$178,000,000) ("Initial ADB Loan") 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 Recipient 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 and subject to the terms and conditions of an externally financed grant agreement dated 22 October 2015 between the Recipient and ADB ("Initial EF Grant Agreement");

(C) the Initial Project is being carried out by the Recipient'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) by a loan agreement of even date herewith between the Recipient and ADB ("Additional ADB Loan Agreement"), ADB has agreed to make an additional loan to the Recipient from ADB's ordinary capital resources in the amount of one hundred million Dollars (\$100,000,000) ("Additional ADB Loan") for the purposes of financing part of the expenditures of the Project described in Schedule 1 to the Additional ADB Loan Agreement, which comprises construction of a new road section of the Recipient's National Motorway M-4 that connects with the road section being constructed under the Initial Project;

(E) the UK has agreed to provide an additional grant to the Recipient, to be administered by ADB, for the purposes of cofinancing expenditures under the Project;

(F) by memorandum of understanding effective 25 June 2015 between ADB and the UK acting through DFID ("DFID Cofinancing Agreement"), the UK has agreed to provide, and ADB has agreed to administer, the additional grant provided for herein upon the terms and conditions set out in the DFID Cofinancing Agreement;

(G) by a loan agreement to be entered into between the Recipient and the Asian Infrastructure Investment Bank ("AIIB") ("AIIB Loan Agreement"), it is expected that AIIB will provide a loan to the Recipient 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");

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

(I) ADB has agreed to make the proceeds of the grant from the UK available to the Recipient upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and NHA;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

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

ARTICLE II

The Grant

Section 2.01. (a) ADB agrees to make available to the Recipient a grant from the UK in the amount of thirty-four million Dollars (\$34,000,000), as such amount may be adjusted from time to time in accordance with subsection (b) hereinafter.

(b) The amount of the Grant shall be adjusted from time to time to account for currency fluctuations, such that the amount of the Grant, denominated in Dollars, shall be equivalent to twenty-three million four hundred eighty thousand British Pounds (£23,480,000) at the time that ADB converted the resources made available to ADB by the UK for the purposes of the Grant. For the avoidance of the doubt, any reduction in the Dollar amount of the Grant resulting from a loss in value of the British Pound against the Dollar shall be at the risk of the Recipient and the Recipient shall be solely responsible for providing any additional funds to complete the Project.

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall make the proceeds of the Grant available to NHA upon terms and conditions satisfactory to ADB and shall cause NHA to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of the Additional ADB Loan Agreement, this Grant Agreement and the Project Agreement.

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

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 4 to the Additional ADB Loan Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 March 2020 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the Additional ADB Loan Agreement.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project and Works, and any relevant records and documents.

Section 4.03. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for the UK. Accordingly, the Recipient agrees that (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from the UK, and (b) that ADB does not assume any obligations or responsibilities of the UK in respect of the Project or the Grant other than those set out in this Grant Agreement.

ARTICLE V**Suspension and Cancellation**

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations or cancellation of the Grant pursuant to Section 8.02 of the Grant Regulations:

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

ARTICLE VI**Effectiveness**

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

- (a) the Additional ADB Loan Agreement shall have been duly executed and delivered and all conditions to its effectiveness (other than effectiveness of this Grant 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 Grant Agreement, the AIIB Loan Agreement and the Additional ADB Loan 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 Recipient, and all conditions precedent to its effectiveness (other than, if applicable, a condition requiring the effectiveness of this Grant

Agreement, the Additional ADB Loan 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 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB: the Additional ADB Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient, and is legally valid and binding upon the Recipient in accordance with its terms, subject only to the effectiveness of this Grant Agreement and the AIIB Loan Agreement.

Section 6.03. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Recipient 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 Grant Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Grant 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 Grant Agreement shall be fully binding on the Recipient and shall have the same force and effect as if taken by the Recipient.

Section 7.03. The authority conferred on NHA under Section 7.01 of this Grant Agreement may be revoked or modified by agreement between the Recipient and ADB.

ARTICLE VIII

Miscellaneous

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

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

For the Recipient

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) 636-2424.

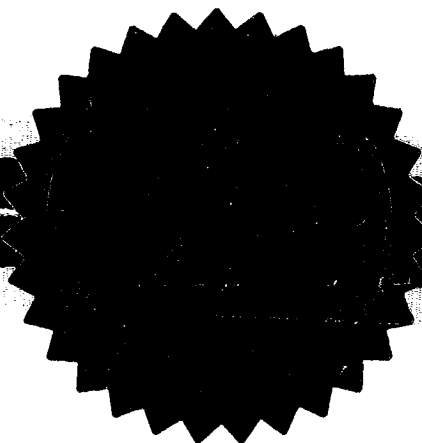
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

ISLAMIC REPUBLIC OF PAKISTAN

By 
TARIQ BAJWA
Secretary
Economic Affairs Division

ASIAN DEVELOPMENT BANK

By 
WERNER E. LIEPACH
Country Director
Pakistan Resident Mission



SCHEDULE

Allocation and Withdrawal of Grant 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 Grant and the allocation of the Grant proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table.)

Basis for Withdrawal from the Grant Account

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

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant 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 Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

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

Retroactive Financing

5. Withdrawals from the Grant 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 Grant Agreement in connection with Works, subject to a maximum amount equivalent to 15% of the Grant amount.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (National Motorway M-4 Gojra-Shorkot-Khanewal Section Project – Additional Financing)			
Number	Item	Total Amount Allocated for UK Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Civil Works*	29,500,000	94% of total expenditure claimed
2	Unallocated**	4,500,000	
	Total	34,000,000	

* Financing allocated to this item under the Additional ADB 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 this Grant Agreement will be utilized at 94% of every claim.

** This amount also serves as a reserve for currency fluctuations and bank charges.