
LOAN NUMBER 6048-PAK(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])
(Naulong Integrated Water Resources Development Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 15 DECEMBER 2022

PAK 51131

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 15 December 2022 between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan under an ADB project readiness financing ("PRF") to finance preparatory activities for prospective projects ("PRF Activities") described in Schedule 1 to this Loan Agreement; and

(B) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2022 ("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) The term "Project" wherever it appears in the Loan Regulations as a defined term, shall be substituted by the term "PRF Activities".
- (b) The term "Project Executing Agency" wherever it appears in the Loan Regulations as a defined term, shall be substituted by the term "PRF Executing Agency".

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- (a) "Amortization Schedule" means the amortization schedule for repayment of the withdrawn principal amount of the Loan (in the event that the PRF Loan is not refinanced by ADB), as set forth in Schedule 2 to this Loan Agreement;
- (b) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;

- (c) "Ensuing Loan Agreement" means the loan agreement to be entered into between the Borrower and ADB for an Ensuing Project which also provides for refinancing of the Loan;
- (d) "Ensuing Project(s)" means the prospective project(s) to be financed by ADB, as further described in Schedule 1;
- (e) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (f) "PAM" means the project administration manual for the PRF Activities dated 2 September 2020 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;
- (g) "PRF Executing Agency" for the purpose of, and within the meaning of, the Loan Regulations means WAPDA, or any successor acceptable to ADB, which is responsible for the carrying out of the PRF Activities;
- (h) "Procurement Plan" means the procurement plan for the PRF Activities dated 2 September 2020 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (i) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (j) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (k) "Refinancing Date" means the date no later than the first Principal Payment Date that is either (i) the effective date of the Ensuing Loan Agreement; (ii) the effective date of the amended Existing Loan Agreement; or (iii) such other date as may from time to time be agreed between the Borrower and ADB;
- (l) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (m) "WAPDA" means the Borrower's Water and Power Development Authority, or any successor thereto.

ARTICLE II**The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of five million Dollars (\$5,000,000).

(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.

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

Section 2.03. Interest on the Loan shall be payable semiannually on 1 April and 1 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

ARTICLE III**Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures relating to the PRF Activities 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.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2025 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the PRF Activities, the Borrower shall perform, or cause to be performed, all obligations set forth in this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the PRF Activities; (ii) prepare annual financial statements for the PRF Activities in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with 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 financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the PRF Activities that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the PRF Activities and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

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

Section 4.03. The Borrower shall enable ADB's representatives to inspect the PRF Activities and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. 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 9.04 of the Loan Regulations.

ARTICLE VI**Miscellaneous**

Section 6.01. The Secretary of the Ministry of Economic Affairs of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Economic Affairs
Government of Pakistan
Islamabad, Pakistan

Facsimile Number:

(0092 51) 910 4016

For ADB

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

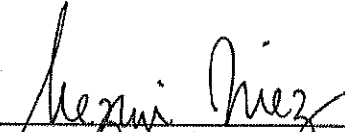
Facsimile Numbers:

(632) 8636-2444

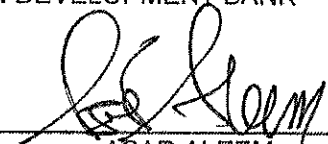
(632) 8636-2424.

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 
KAZIM NIAZ
Secretary, Economic Affairs Division
Ministry of Economic Affairs

ASIAN DEVELOPMENT BANK

By 
ASAD ALEEM
Authorized Representative

SCHEDULE 1**Description of the PRF Activities**

1. The PRF Activities shall comprise:
 - (a) **Output 1. Detailed design and procurement and safeguard documents reviewed and updated:** (i) Supporting the review and update of (A) existing feasibility study and detailed engineering design and its finalization for the Ensuing Project comprising a dam, a spillway, two powerhouses, tunnels, intakes, irrigation canals and structures, and other allied infrastructure; and (B) the design for the command area and agriculture development; (ii) updating land acquisition and resettlement planning documents, social and environmental impact assessments, and financial and economic analyses; (iii) conducting a poverty, social, and gender assessment, and produce a dedicated social and gender assessment report; and (iv) preparing a risk assessment and management plan, and a strategic procurement plan for the Ensuing Project; and
 - (b) **Output 2: Capacity of executing and implementing agencies for project implementation readiness improved:** Supporting the capacity development of WAPDA and the Government of Balochistan, including (i) advance procurement actions before ADB approval of the Ensuing Project; and (ii) start-up activities, such as the implementation of social and environmental safeguards plans and establishment of coordination processes.
2. Unless otherwise agreed between the Borrower and ADB, the PRF Activities are expected to support preparation of the Naulong Integrated Water Resources Development Project.
3. The PRF Activities are expected to be completed by 30 June 2025.

SCHEDULE 2

Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)
1 April 2028	125,000
1 October 2028	125,000
1 April 2029	125,000
1 October 2029	125,000
1 April 2030	125,000
1 October 2030	125,000
1 April 2031	125,000
1 October 2031	125,000
1 April 2032	125,000
1 October 2032	125,000
1 April 2033	125,000
1 October 2033	125,000
1 April 2034	125,000
1 October 2034	125,000
1 April 2035	125,000
1 October 2035	125,000
1 April 2036	125,000
1 October 2036	125,000
1 April 2037	125,000
1 October 2037	125,000
1 April 2038	125,000
1 October 2038	125,000
1 April 2039	125,000
1 October 2039	125,000
1 April 2040	125,000
1 October 2040	125,000
1 April 2041	125,000
1 October 2041	125,000
1 April 2042	125,000
1 October 2042	125,000
1 April 2043	125,000
1 October 2043	125,000
1 April 2044	125,000
1 October 2044	125,000
1 April 2045	125,000
1 October 2045	125,000
1 April 2046	125,000
1 October 2046	125,000

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)
1 April 2047	125,000
1 October 2047	125,000
Total	5,000,000

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

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

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

Basis for Withdrawal from the Loan Account

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

Interest Charges

3. The amount allocated to Category "Interest Charges" is for financing interest charges on the Loan during the implementation period of the PRF Activities. 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 charges.

Reallocation

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

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

Disbursement Procedures

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

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Costs for PRF activities	3,560,000	100% of total expenditure claimed*
2	Interest Charges	130,000	100% of amounts due
3	Unallocated	1,310,000	
	TOTAL	5,000,000	

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

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

1. The Borrower shall ensure, or cause the PRF Executing Agency and PRF implementing agencies to ensure, that the PRF Activities are 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.

Safeguards

2. The Borrower shall ensure, or cause the PRF Executing Agency to ensure, that the PRF Activities do not have any environmental, indigenous peoples or involuntary resettlement impacts, all within the meaning of the SPS.

Prohibited List of Investments

3. The Borrower shall ensure, or cause the PRF Executing Agency 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.

Procurement

4. The Borrower shall, or cause the PRF Executing Agency to ensure, that:
- (a) the procurement of Consulting Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
 - (b) Consulting Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
 - (c) (i) all Consulting Services obtained (including 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; and (ii) all contracts for the procurement of Consulting Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

Counterpart Support

5. The Borrower shall ensure that WAPDA has sufficient funds to satisfy its liabilities arising from any Consulting Services contract.

Governance and Anticorruption

6. The Borrower and the PRF Executing Agency 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 PRF Activities; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

7. The Borrower shall, and cause the PRF Executing Agency and the PRF implementing agencies 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 PRF Executing Agency, the PRF implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the PRF Activities.