
LOAN NUMBER 6041-PAK

LOAN AGREEMENT
(Ordinary Operations)

(Preparing Kurram Tangi Integrated Water Resources Development Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 22 DECEMBER 2021

PAK 52051

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 22 December 2021 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 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 Loan Regulations, dated 1 January 2017 ("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".
- (c) Section 2.01 is deleted and the following is substituted therefor:

"Reference Rate" means, (i) except as ADB has otherwise made a determination in accordance with Section 3.02(c), in respect of any Loan Currency other than Euro, LIBOR, and in respect of Euro, Euribor; and (ii) if a determination is made in accordance with Section 3.02(c), such other reference rate and any spread for the Loan Currency as ADB shall reasonably determine and promptly notify the Borrower and the Guarantor.

- (d) A new subsection 3.02(c) is inserted after subsection 3.02(b) as follows:

Section 3.02(c). If interest on any amount of the Loan is calculated based on LIBOR or Euribor, and ADB determines that (i) such

Reference Rate has permanently ceased to be quoted for the relevant Loan Currency or a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate announcing such Reference Rate is no longer representative has been made or (ii) ADB is no longer able, or it is no longer commercially acceptable for ADB, to continue to use such Reference Rate for purposes of its asset and liability management, ADB shall apply such other Reference Rate for the relevant Loan Currency, including any applicable spread, as it may reasonably determine. ADB shall promptly notify the Borrower and the Guarantor of such other reference rate and any spread, and of related amendments to the provisions of the Loan Agreement necessary to give effect to its application, which shall become effective as of the date of such notice.

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;
- (d) "Ensuing Project" means the prospective project to be financed by ADB, as further described in Schedule 1;
- (e) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (f) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (g) "Nonconsulting Services" means nonconsulting 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;
- (h) "PAM" means the project administration manual for the PRF Activities dated 18 October 2021 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) "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;
- (j) "Procurement Plan" means the procurement plan for the PRF Activities dated 18 October 2021 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;
- (k) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (l) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (m) "Services" means Consulting Services and Nonconsulting Services;
- (n) "SPS" means ADB's Safeguard Policy Statement (2009);
- (o) "WAPDA" means the Borrower's Water and Power Development Authority, or any successor thereto; and
- (p) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

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 12 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 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; and
- (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.

Section 2.03. Interest on the Loan shall be payable semiannually on 1 May and 1 November 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 30 June 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 10.04 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 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 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

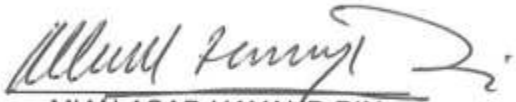
Facsimile Numbers:

(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 
MIAN ASAD HAYAT DIN
Secretary, Economic Affairs Division
Ministry of Economic Affairs

ASIAN DEVELOPMENT BANK

By 
YONG YE
Country Director
Pakistan Resident Mission

SCHEDULE 1**Description of the PRF Activities**

1. The PRF Activities shall comprise the following outputs:
 - (a) **Output 1: Detailed engineering design, and procurement and safeguard documents completed.** Supporting preparation of detailed engineering design for a dam, a spillway, 3 power houses, tunnels, intakes, irrigation canals and structures, other allied infrastructure, and command area and agriculture development. This will also include support for surveys, studies, geological and hydrological investigations, climate risk and vulnerability assessment, community participation strategy, and other necessary assessments. Climate resilience measures, innovative solutions using digital technologies, modernized irrigation methods, and climate smart agriculture practices will be incorporated in the detailed design; and
 - (b) **Output 2: Capacity of executing and implementing agencies for project implementation readiness improved.** Providing PRF consultants who will support WAPDA and the government of Khyber Pakhtunkhwa province, for financial management, procurement, and technical aspects.
2. Unless otherwise agreed between the Borrower and ADB, the PRF Activities are expected to support preparation of the Kurram Tangi Integrated Water Resources Development Project.
3. The PRF Activities are expected to be completed by 31 December 2024.

SCHEDULE 2

Amortization Schedule

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.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 May 2025	4.166667
1 November 2025	4.166667
1 May 2026	4.166667
1 November 2026	4.166667
1 May 2027	4.166667
1 November 2027	4.166667
1 May 2028	4.166667
1 November 2028	4.166667
1 May 2029	4.166667
1 November 2029	4.166667
1 May 2030	4.166667
1 November 2030	4.166667
1 May 2031	4.166667
1 November 2031	4.166667
1 May 2032	4.166667
1 November 2032	4.166667
1 May 2033	4.166667
1 November 2033	4.166667
1 May 2034	4.166667
1 November 2034	4.166667
1 May 2035	4.166667
1 November 2035	4.166667
1 May 2036	4.166667
1 November 2036	4.166659
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; and
- (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.

3. Withdrawals made within 2 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.

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 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	Detailed Engineering Design	4,616,000	100% of total expenditures claimed*
2	Capacity Building	155,000	100% of total expenditures claimed*
3	Interest Charges	77,000	100% of amounts due
4	Unallocated	152,000	
	TOTAL	5,000,000	

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

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

1. The Borrower shall ensure, or cause the PRF Executing Agency 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 Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
 - (b) Goods, Works and 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;
 - (c) (i) all Goods and Works procured and 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 Goods, Works and 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

9. The Borrower shall ensure that WAPDA has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract.

Governance and Anticorruption

10. 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.

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