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GRANT NUMBER 0435-PAK (EF)

GRANT AGREEMENT  
(Externally Financed)

(National Trade Corridor Highway Investment Program – Project 3)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 1 SEPTEMBER 2015

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PAK 40075

**GRANT AGREEMENT  
(Externally Financed)**

GRANT AGREEMENT dated 1 September 2015 between ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement to be entered into between the Recipient and ADB ("ADB Loan Agreement"), ADB will make a loan to the Recipient from ADB's ordinary capital resources in the amount of eighty-seven million Dollars (\$87,000,000) ("ADB Loan") for the purposes of the Project described in Schedule 1 to the ADB Loan Agreement;

(B) the Government of United Kingdom of Great Britain and Northern Ireland acting through the Department of International Development (DFID) has agreed to provide a grant, to be administered by ADB, for the purposes of cofinancing expenditures under investment projects under DFID's Pakistan Economic Corridors Program, including expenditures under the Project;

(C) by memorandum of understanding dated 25 June 2015 between ADB and DFID ("Cofinancing Agreement"), DFID has agreed to provide, and ADB has agreed to administer, among other things, the grant provided for herein upon the terms and conditions set out in the Cofinancing Agreement; and

(D) ADB has agreed to make a part of the proceeds of the grant from DFID available to the Recipient upon the terms and conditions set forth herein;

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 have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Grant Agreement have the following meanings:

(a) "Consulting Services" means the services to be financed out of the proceeds of the Grant, as described in paragraph 2 of Schedule 1 to the ADB Loan Agreement;

(b) "Goods" means equipment and materials to be financed out of the proceeds of the Grant, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(c) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(d) "Pound" or "£" means the lawful currency of the United Kingdom;

(e) "Project" means the project as described in paragraph 2(i) of Schedule 1 to the ADB Loan Agreement; and

(f) "Works" means construction or civil works to be financed out of the proceeds of the Grant, 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 Grant

Section 2.01. (a) ADB agrees to make available to the Recipient a grant from DFID in the amount of thirty-nine million and two hundred thousand Dollars (\$39,200,000), 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-four million and nine hundred thousand Pounds (£24,900,000) at the time that ADB converted the resources made available to ADB by DFID for the purposes of the Grant.

## ARTICLE III

### Use of Proceeds of the Grant

Section 3.01. (a) The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 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 ADB Loan Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 17 December 2017 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 and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the ADB Loan Agreement.

Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles 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 international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the 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 Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient's financial affairs where they relate to the Project 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 Recipient, unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for DFID. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from DFID, and (ii) that ADB does not assume any obligations or responsibilities of DFID in respect of the Project or the Grant other than those set out in this Grant Agreement.

## **ARTICLE V**

### **Suspension**

Section 5.01. The following is specified as an additional event 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: the ADB Loan shall have become liable for suspension or cancellation in accordance with the terms of the ADB Loan Agreement.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the ADB Loan Agreement shall have been duly executed and delivered, and shall have become legally binding upon the parties thereto in accordance with its terms subject only to the effectiveness of this Grant Agreement.

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: that the ADB Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient, and is legally binding upon the Recipient in accordance with its terms.

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**

**Miscellaneous**

Section 7.01. The Secretary, Economic Affairs Division of the 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 7.02. 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

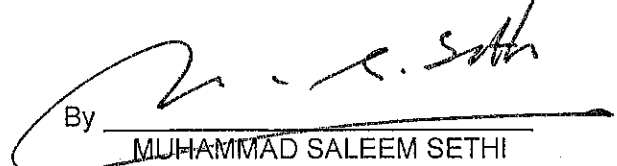
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

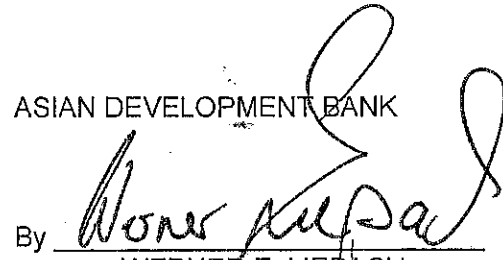
(632) 636-2444  
(632) 636-2340.

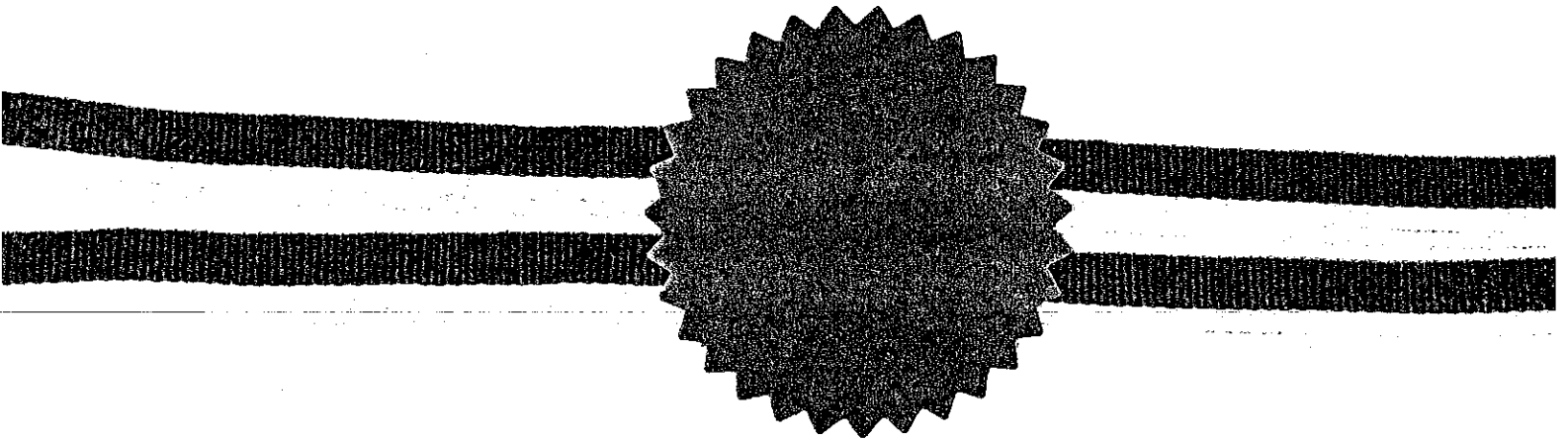
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

ISLAMIC REPUBLIC OF PAKISTAN

By   
\_\_\_\_\_  
MUHAMMAD SALEEM SETHI  
Secretary  
Economic Affairs Division

ASIAN DEVELOPMENT BANK

By   
\_\_\_\_\_  
WERNER E. LIERACH  
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 or Subcategory 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, if the amount of the Grant allocated to the Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to a new 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 reimbursement 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 items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Grant amount. Such retroactive financing may be applied for reimbursing ADB for part of the disbursed amount of ADB Loan in relation to advance payment already made to the Works contractor.



TABLE

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (National Trade Corridor Highway Investment Program – Project 3)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for DFID Financing (\$)  Category</b>	<b>Basis for Withdrawal from the Grant Account</b>
1	Civil Works	33,400,000	50 percent of total expenditure claimed
2	Unallocated*	5,800,000	
	<b>Total</b>	<b>39,200,000</b>	

\* This amount also serves as a reserve for currency fluctuations.