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LOAN NUMBER 2204-PAK(SF)

Technical Assistance Loan Agreement  
(Special Operations)  
(Balochistan Devolved Social Services Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 24 AUGUST 2006

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LAS:PAK 37218

## **LOAN AGREEMENT (Special Operations)**

LOAN AGREEMENT dated 24 August 2006 between the Islamic Republic of Pakistan (hereinafter called "the Borrower") and ASIAN DEVELOPMENT BANK (hereinafter called "ADB").

### WHEREAS

(A) the Borrower has applied to ADB for a technical assistance loan for the purposes of the Balochistan Devolved Social Services Project (hereinafter called the Project), as described in Schedule 1 to this Loan Agreement;

(B) the Borrower has also applied to ADB for (i) a loan from its Ordinary Capital Resources, (ii) a loan from its Special Fund resources and (iii) a grant from its Special Fund resources for the purposes of the Balochistan Devolved Social Services Program (hereinafter called the Program);

(C) by a Loan Agreement of even date herewith between the Borrower and ADB (hereinafter called the Ordinary Operations Loan Agreement), ADB has agreed to provide to the Borrower from ADB's Ordinary Capital resources a loan in an amount of one hundred thirty million Dollars (\$130,000,000) for the purposes of the Program;

(D) by a Financing Agreement of even date herewith between the Borrower and ADB (hereinafter called the Special Operations Financing Agreement), ADB has agreed to provide to the Borrower from ADB's Special Fund resources, a loan in various currencies equivalent to forty five million fifty six thousand Special Drawing Rights (SDR45,060,000) and a grant in the amount of five million Dollars (\$5,000,000), for the purposes of the Program;

(E) to implement the Program under both the Ordinary Operations Loan Agreement and the Special Operations Financing Agreement, ADB and the Province of Balochistan (hereinafter called Balochistan) have entered into two Program Agreements both of even date herewith, in respect of each of the Ordinary Operations Loan Agreement and the Special Operations Financing Agreement (hereinafter called the Program Agreements);

(F) the Project shall be carried out by Balochistan, and for this purpose the Borrower shall make available to Balochistan the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(G) ADB, has on the basis inter alia of the foregoing, agreed to make a technical assistance loan to the Borrower from ADB Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and Balochistan;

NOW THEREFORE the parties agree as follows:

## **ARTICLE I**

### **Loan Regulations; Definitions**

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 May 2004 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Ordinary Operations Loan Agreement and the Loan Regulations are applicable to this Loan Agreement. In addition, the following term has the following meaning:

- (a) "PC-II" means the Borrower's Planning Commission Pro-forma II.

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to three million four hundred sixty six thousand Special Drawing Rights (SDR3,466,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December 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 amortization schedule set forth in Schedule 2 to this Loan Agreement.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall make the proceeds of the Loan available to Balochistan upon terms and conditions satisfactory to ADB and shall cause Balochistan to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement. The foreign exchange risk of the Loan shall be borne by the Borrower.

Section 3.02. The goods and services to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services and other items of expenditure shall be 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. Withdrawals from the Loan Account in respect of goods and services shall be made only on account of expenditures relating to

(a) goods which are produced in and supplied from and 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 and services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.04. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to this Loan Agreement.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2010 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 Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.

Section 4.03. The Borrower shall take all action which shall be necessary on its part to enable Balochistan 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; Cancellation; 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 8.01(m) of the Loan Regulations:

- (a) the Borrower has, in the opinion of ADB, failed to perform any of its obligations under the Ordinary Operations Loan Agreement; and
- (b) the Borrower has, in the opinion of ADB, failed to perform any of its obligations under the Special Operations Financing Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: either 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 9.01(f) of the Loan Regulations:

- (a) the Ordinary Operations Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement shall have been fulfilled);
- (b) the Special Operations Financing Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement shall have been fulfilled);
- (c) the PSC shall have been established in accordance with the provision under Schedule 6 to this Loan Agreement; and
- (d) the PC-II shall have been approved by the duly competent authority.

Section 6.02 A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VII**

### **Delegation of Authority**

Section 7.01. The Borrower hereby designates Balochistan as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by Balochistan 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 Balochistan 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 of the Economic Affairs Division, Ministry of Economic Affairs and Statistics of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

The Secretary  
Economic Affairs Division  
Ministry of Economic Affairs and Statistics  
Islamabad, Pakistan

Facsimile Number:

(92-51) 920-5971  
(92-51) 921-0734

For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

## Cable Address:

ASIANBANK  
MANILA

## Telex Numbers:

29066 ADB PH (RCA)  
42205 ADB PM (ITT)  
63587 ADB PN (ETPI)

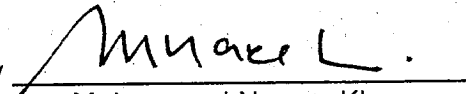
## Facsimile Numbers:

(632) 636-2444  
(632) 636-2293

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 and to be delivered at the principal office of ADB, as of the day and year first above written.

THE ISLAMIC REPUBLIC OF  
PAKISTAN

By



Muhammad Naeem Khan  
Ambassador of the Islamic  
Republic of Pakistan to the  
Philippines

ASIAN DEVELOPMENT BANK

By



Haruhiko Kuroda  
President

## SCHEDULE 1

### Description of the Project

1. The objective of the Project are to (i) support sector work on specific policy reforms and improve sector performance; (ii) strengthen sector planning, management and monitoring; (iii) develop local government and community based governance capacity in the social services; and (iv) provide implementation support to policy reforms, performance grants mechanism and capacity-building activities under the Program.
2. The Project shall provide the following components:
  - (a) Sector Policy Reform.

Provide support to the PPO to undertake studies and surveys required to enable the policy reforms under the Program to be implemented.
  - (b) Sector Planning, Management and Monitoring.

Provide support for sector planning and system development and improvement in management and monitoring through (i) the development of sector strategies in education and health and a strategy to promote sanitation and hygiene; (ii) the preparation and approval of expenditure yardsticks; (iii) the strengthening of MIS in education and health sectors and development of data-base for WSS sector; and (iv) other means necessary to improve sector planning, management and monitoring.
  - (c) Local Government and Community-based Governance.

Provide support for governance capacity-building through (i) the preparation of sector medium term/annual plans and budgets, public financial management, monitoring and reporting; (ii) in service training for supervisions and front-end service delivery staff; (iii) training to relevant stakeholders to promote community management of social services facilities; and (iv) the preparation of the civil society monitoring program of social sector services.
  - (d) Implementation Support.

Provide various Project implementation support to the PPO and PUs in (a) the Finance Department; (b) the Bureau of Statistics; (c) in each of the 28 district governments; and (d) the TMAs declared eligible for the Performance Grant.
3. The Project is expected to be completed by 30 June 2010.

**SCHEDULE 2**  
**Amortization Schedule**

**(Balochistan Devolved Social Services Project)**

<u><b>Date Payment Due</b></u>			<u><b>Payment of Principal</b></u> (expressed in Special Drawing Rights)*
15	June	2014	72,208.00
15	December	2014	72,208.00
15	June	2015	72,208.00
15	December	2015	72,208.00
15	June	2016	72,208.00
15	December	2016	72,208.00
15	June	2017	72,208.00
15	December	2017	72,208.00
15	June	2018	72,208.00
15	December	2018	72,208.00
15	June	2019	72,208.00
15	December	2019	72,208.00
15	June	2020	72,208.00
15	December	2020	72,208.00
15	June	2021	72,208.00
15	December	2021	72,208.00
15	June	2022	72,208.00
15	December	2022	72,208.00
15	June	2023	72,208.00
15	December	2023	72,208.00
15	June	2024	72,208.00
15	December	2024	72,208.00
15	June	2025	72,208.00
15	December	2025	72,208.00
15	June	2026	72,208.00
15	December	2026	72,208.00
15	June	2027	72,208.00
15	December	2027	72,208.00
15	June	2028	72,208.00
15	December	2028	72,208.00

<u>Date Payment Due</u>			<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15	June	2029	72,208.00
15	December	2029	72,208.00
15	June	2030	72,208.00
15	December	2030	72,208.00
15	June	2031	72,208.00
15	December	2031	72,208.00
15	June	2032	72,208.00
15	December	2032	72,208.00
15	June	2033	72,208.00
15	December	2033	72,208.00
15	June	2034	72,208.00
15	December	2034	72,208.00
15	June	2035	72,208.00
15	December	2035	72,208.00
15	June	2036	72,208.00
15	December	2036	72,208.00
15	June	2037	72,208.00
15	December	2037	72,224.00
<b>TOTAL</b>			<b>3,466,000.00</b>

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\* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity 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 goods, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table).

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Reallocation

3. 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 then 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.

Imprest Account; Statement of Expenditures

4. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at the National Bank of Pakistan. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into the imprest account shall not exceed the equivalent of 6 months of estimated expenditures or 10% of the loan amount into the imprest account, whichever is lower.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$50,000.

**TABLE**

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Balochistan Devolved Social Services Project)</b>				
<b>CATEGORY</b>			<b>ADB FINANCING</b>	
Number	Item	Amount Allocated (SDR) Category	Percentage	Basis for Withdrawal from the Loan Account
1	Training and Capacity Building	745,000	100	percent of total expenditure*
2	Workshops and Seminars	173,000	100	percent of total expenditure*
3	Equipment, Vehicles, Surveys and Studies	510,000	100	percent of total expenditure*
4	Operating Costs	507,000	100	percent of total expenditure*
5	Consulting Services	1,365,000	100	percent of total expenditure*
6	Unallocated	166,000		
	<b>Total</b>	<b>3,466,000</b>		

\* exclusive of local taxes

**SCHEDULE 4****Procurement**

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Loan. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials; the term "services" does not include consulting services.

2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated November 2004 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Borrower.

3. Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in paragraph 6 below.

4. (a) Each supply contract for equipments or materials estimated to cost the equivalent of more than \$500,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request. ADB shall be provided the necessary information to update such General Procurement Notice annually as long as any goods remain to be procured on the basis of international competitive bidding.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 21 days before it is issued and shall contain such information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation.

5. Each supply contract for equipment or materials estimated to cost the equivalent of \$ 500,000 or less (other than minor items) shall be awarded on the basis of local competitive bidding in accordance with the standard procurement procedures of the Borrower and acceptable to ADB or, as applicable, international shopping as described in Chapter III of the Guidelines for Procurement.

6. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Borrower and in accordance with the provisions of the Attachment to this Schedule, for goods manufactured in the territory of the Borrower, provided that the bidder offering such goods shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods.

7. Equipment and materials estimated to cost, in the aggregate, the equivalent of less than \$100,000, may be awarded on the basis of local competitive bidding or procured directly from the manufacturers of the original equipment or their agents. For direct procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential sources of supply and any related documents shall be submitted to ADB for approval. After award, three copies of each contract for such items shall be furnished to ADB.

8. The contracts for the training program to be financed under the proceeds of the Loan shall be awarded by the Borrower to local training institutes, following procedures acceptable to ADB.

#### Intellectual Property Rights

9. (a) The Borrower shall ensure that all ADB-financed goods and services 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 ADB-financed contracts for the procurement of goods and services 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.

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Borrower which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Borrower; and

Category III -- bids offering imported goods.

- (b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.
- (c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.

- (d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either
  - (i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or
  - (ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

## SCHEDULE 5

### Consultants

1. The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:

- (a) Sector Policy Reform;
- (b) Sector Planning, Management and Monitoring;
- (c) Local Government and Community-Based Governance; and
- (d) Implementation Support.

The terms of reference of the consultants shall be as determined by agreement between ADB and Balochistan.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated January 2005 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to the Borrower and Balochistan.

3. Selection and engagement of the consultants shall be made without any restriction against, or preference for, any particular consultants or any particular class of consultants.

4. Consultants that are selected and engaged as a firm by Balochistan shall be selected and engaged using the quality-and-cost-based selection (QCBS) method in accordance with the following procedures.

(a) Invitation for technical and financial proposals. The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by ADB before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to ADB. A period of at least 45 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to ADB for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and financial proposals. The approval of ADB shall be obtained for any request to extend such validity period. Except as ADB may otherwise agree, the validity period, including any extensions, shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, the selection shall be invalid and the selection and engagement process as provided in this paragraph shall be followed again.

(b) Evaluation and scoring of technical proposals. Immediately after the technical proposals have been evaluated and scored, approval of ADB shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, ADB shall be furnished with three copies of the technical proposals.

(c) Public opening of financial proposals. The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.

(d) Evaluation and scoring of financial proposals and ranking of technical and financial proposals. After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of ADB shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, ADB shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals.

(e) Execution of contract. After the conclusion of negotiations but before the signing of the contract, ADB shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

5. The individual consultants shall be selected and engaged by Balochistan in accordance with the following procedures.

(a) A list of the candidates together with their qualifications and their ranking and a draft contract shall be furnished to ADB for approval before the selection of consultants.

(b) Promptly after the contract is signed, ADB shall be furnished with the evaluation of the candidates and a brief justification for the selection, together with three copies of the signed contract.

(c) If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

6. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

## SCHEDULE 6

### Execution of Project and Operation of Project Facilities; Financial Matters

#### Executing Agency

1. The Planning and Development Department, Balochistan (P&DD) shall be the Program Executing Agency.

#### The Program Steering Committee

2. The Program Steering Committee (PSC) shall be established to monitor the performance of the PPO and the PUs in relation to this Project. The PSC shall be chaired by the additional chief secretary with the secretary of finance as the alternate chair. The other members of the PSC are the chief economist, secretary of the Education Department, secretary of the Health Department, secretary of PHED, secretary of SGAD, secretary of LGD, coordinator of the PPO who shall also be the member-secretary of PSC, and the program managers of DSP and BRMP as observers.

#### The Provincial Program Office

3. Within two weeks of the Effective Date, Balochistan shall have established the Provincial Program Office (PPO), which shall (i) coordinate activities, particularly capacity building, with DSP, BRMP and other programs; (ii) institute appropriate monitoring mechanisms through the Bureau of Statistics, Finance Department (public expenditure tracking surveys and reporting from local governments) and third party validation through contracted NGOs; (iii) manage the award of contracts under the Project at the provincial level; and (iv) liaise with regards to the capacity building activities with district governments and provincial departments through the PUs in the district government and the relevant provincial agencies.
4. The PPO shall be headed by a Program coordinator who shall be an officer with basic grade of 19 or 20. The Program coordinator shall be assisted by one Program officer with basic grade of 17 or 18, two Program assistants, each with basic grade of 15 and support staff, as required. The Program coordinator, the Program officer, the two Program assistants and the support staff shall be working full-time at the PPO.

#### Program Committees

5. Within two weeks of the Effective Date, Balochistan shall ensure that a District Program Committee (DPC) shall be established in each district government to oversee all matters in connection with the implementation of this Project. The DPC shall be headed by the district nazim with the district coordination officer as the alternate chair and comprise of executive district officers (EDOs) of the group offices in the social sectors (education, health, public health engineering) as members and the EDO (finance and planning) as the member secretary.

6. Within two weeks of the date a TMA has been declared eligible for the Performance Grant, Balochistan shall ensure that a TMA Program Committee shall have been established. The Committee shall be headed by the tehsil nazim with the tehsil municipal officer as the alternate chair and the tehsil officer (infrastructure and services) as member-secretary. The committee shall meet at least once a month. It shall oversee all matters in connection with the implementation of the TA support.

#### Program Units

7. Within two months of the Effective Date, Balochistan shall ensure that a Program Unit (PU) shall have been established in (i) the Finance Department; (ii) the Bureau of Statistics; and (iii) each of the 28 district governments.

8. In the Finance Department, the PU shall be headed by an additional secretary who shall be assisted by a Project officer, a Program assistant, data base operator, and office workers. It shall implement all activities under the Project as they relate to the Finance Department.

9. In the Bureau of Statistics, the PU shall be headed by the director of the Bureau of Statistics who shall be assisted by a Project officer, an office assistant and an office worker. It shall be responsible for the implementation of the activities related to (i) training, capacity building and strengthening of the Bureau of Statistics under this Project, and (ii) public expenditure tracking surveys, quantitative service delivery survey and third party NGO validation surveys implemented under the Project.

10. In each of the district governments, the PU shall be headed by the EDO finance and planning who shall be assisted by an office assistant and an office worker. It shall implement the Project activities in their respective district.

11. Within two months of the date a TMA has been declared eligible for the Performance Grant, Balochistan shall ensure that a PU shall have been established. It shall be headed by tehsil municipal officer and assisted by a Program officer. The PU shall implement the Project activities in their respective tehsil.

#### Program Implementation

12. Balochistan shall take all steps and actions, including provision of staff resources to ensure satisfactory completion in a timely manner of this Project. Balochistan shall also implement the Project and monitor and evaluate its performance in line with the Project administration memorandum as agreed with ADB.

Auditing, Reporting, Monitoring and Evaluation

13. Without limiting the generality under Section 6.05 of the Loan Regulations, Balochistan shall ensure that the PPO prepare and submit to ADB quarterly and annual reports on the implementation of the Project, including the accomplishment of the set targets. Such report shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed Project activities and expected progress during the following review period. The quarterly report shall be submitted within six (6) weeks after the end of each quarter. The annual report shall be submitted within three (3) months after the end of each Project year.

14. Without limiting the generality under Section 6.05 of the Loan Regulations, within two months of the Effective Date, Balochistan shall ensure that the PPO prepare and submit to ADB, the Project inception report which shall summarize actions so far taken and the further actions required for the development of the Project. Within three (3) months of the completion of the Project, Balochistan shall ensure that the PPO prepare and submit to ADB, the Project completion report, which shall include a summary financial account of the Project.

15. Within two months of the Effective Date, Balochistan shall set up a Project performance management system to assess and evaluate the scope, implementation arrangements, benefits monitoring, progress and achievements of the Project as agreed with ADB and cause it to be operated within the Project period.

16. Without limiting the generality of Section 2.09 of the Project Agreement, Balochistan shall establish and maintain separate accounts for the Project in accordance with accounting procedures acceptable to ADB. Independent auditors shall audit the accounts annually, including the imprest account and the statement of expenditures, in accordance with auditing standards acceptable to ADB. Balochistan shall ensure that certified copies of the audited accounts and financial statements and the report of the auditors (including the auditors' opinion on the use of the proceeds of the Loan and compliance with the financial covenants of the Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures) shall be submitted to ADB in English within six months after the end of each fiscal year.

Program Review

17. ADB and Balochistan shall undertake regular review missions, at least on semi-annual basis, to review the performance of the PPO, program units, the consultants engaged under the Project and the implementation of the Project activities including assessment on the timely procurement and efficient use of the goods and services supported under the Project. Based on these reviews, modifications in scope and implementation arrangements may be proposed.

18. ADB and Balochistan shall also conduct a comprehensive mid-term review in the second year of Project implementation to evaluate progress of all the Project activities, review utilization of the Project funds, and assess need for any reallocation of funds based on utilization and revised needs. Based on the assessment, modifications to the financial scope of the Project shall be proposed.

#### Good Governance

19. The Borrower and Balochistan acknowledge that ADB, consistent with its commitment to good governance, accountability and transparency, reserves the right to undertake, directly or through its agents, investigation of any public impropriety in the conduct of the program. Each of the Borrower and Balochistan shall cooperate fully and ensure that each of their agencies cooperates with any such investigation and extends all necessary assistance, including access to relevant books, files and records.