

LOAN AGREEMENT  
(Ordinary Operations)

(Punjab Irrigated Agriculture Investment Program – Project 1)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 22 JUNE 2007

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 22 June 2007 between ISLAMIC REPUBLIC OF PAKISTAN (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) the Borrower has entered into a Framework Financing Agreement with ADB to seek financing for a roadmap and an investment program for the development of the water resources and irrigated agriculture in the Borrower's Province of Punjab (hereinafter called Punjab), as described in Schedule 1 to the FFA (hereinafter called the Investment Program);

(B) the Borrower has applied to ADB for (i) a loan from its ordinary capital resources, and (ii) a loan from its Special Funds resources for the purposes of financing the Lower Bari Doab Canal Improvement Project, the first project under the Investment Program described in Schedule 1 to this Loan Agreement (hereinafter called the Project);

(C) by a loan agreement of even date herewith between the Borrower and ADB (hereinafter called the Special Operations Loan Agreement), ADB has agreed to lend to the Borrower a loan in an amount of six million seven hundred forty-three thousand Special Drawing Rights (SDR 6,743,000) from its Special Funds resources for the purposes of Part F of the Project (hereinafter called the Special Operations Loan, and together with this Loan, the Loans);

(D) the Project will be carried out by Punjab through the Punjab Irrigation and Power Department (hereinafter called PIDP), and for this purpose the Borrower will make available to PIDP the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(E) ADB has, on the basis inter alia of the foregoing, agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and Punjab;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, are hereby made applicable to this Loan Agreement with the

same force and effect as if they were fully set forth herein (said Ordinary Operations Loan Regulations being hereafter called the Loan Regulations).

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

- (a) "AWB" means the Area Water Board of LBDC;
- (b) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers dated April 2006, as amended from time to time;
- (c) "Engineer" means the design and supervision consultants described in paragraph 8 of the Schedule to the Project Agreement;
- (d) "FFA" means the Framework Financing Agreement dated 11 November 2006 as referred to in Recital (A) of this Loan Agreement;
- (e) "FO" means a farmer organization established under the Project;
- (f) "Goods" means equipment and materials to be financed out of the proceeds of the Loans, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;
- (g) "IMU" mean an irrigation management unit established under the Project;
- (h) "Khal Panchayat" or "KP" means a water user association;
- (i) "LBDC" means the Lower Bari Doab Canal;
- (j) "PIPD" means the Punjab Irrigation and Power Department, and any successor thereto acceptable to ADB;
- (k) "Procurement Guidelines" means ADB's Procurement Guidelines dated April 2006, as amended from time to time;
- (l) "Procurement Plan" means the procurement plan for the Project dated 11 November 2006 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;
- (m) "Project 1" means the Project as referred to Recital (B) of this Loan Agreement;
- (n) "Project Agreement" has the meaning given in Recital (E) of this Loan Agreement;

(o) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations and the Special Operations Loan Regulations means Punjab through PIPD, which is responsible for the carrying out of the Project;

(p) "Project facilities" means facilities provided under the Project;

(q) "Punjab" has the meaning given in Recital A of this Loan Agreement;

(r) "Resettlement Plan" or "RP" means a resettlement plan for a subproject under the Project;

(s) "Special Operations Loan Agreement" has the meaning given in Recital C of this Loan Agreement;

(t) "Special Operations Loan Regulations" means the Loan Regulations referred to in Section 1.01 of the Special Operations Loan Agreement;

(u) "subproject" means a subproject under the Project selected and approved as described in Schedule 4 to the FFA; and

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

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of twenty-five billion six hundred thirty-seven million eight hundred twenty-seven thousand Yen (¥ 25,637,827,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a term of 25 years, including a grace period of five (5) years, as provided in Schedule 2 to this Loan Agreement.

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 LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations.

Section 2.03. (a) The Borrower shall pay a commitment charge at the rate of three-fourths of one percent (0.75%) per annum. Such charge shall accrue on amounts of the Loan (less amounts withdrawn from time to time), during successive periods commencing sixty (60) days after the date of this Loan Agreement, as follows:

during the first twelve-month period, on Yen 3,845,674,000;  
during the second twelve-month period, on Yen 11,537,022,000;  
during the third twelve-month period, on Yen 21,792,152,000; and  
thereafter, on the full amount of the Loan.

(b) If any amount of the Loan is cancelled, the amount of each portion of the Loan stated in paragraph (a) of this Section shall be reduced in the same proportion as the cancellation bears to the full amount of the Loan before such cancellation.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 June and 1 December in each year.

Section 2.05. 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.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

## ARTICLE III

### Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to PIPD through Punjab upon terms and conditions satisfactory to ADB and shall cause PIPD 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.

Section 3.02. The Goods, Works and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works and consulting 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. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where Goods, Works or consulting services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all Goods, Works and consulting services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 30 September 2013 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, maintenance and operational, and irrigated agriculture development practices.

(b) 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 5 to this Loan Agreement and the Schedule to the Project Agreement.

Section 4.02. The Borrower shall, or cause Punjab to, make available to PIPD promptly as needed and on terms and conditions acceptable to ADB, the

funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

Section 4.03. The Borrower shall ensure through Punjab that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall take through Punjab all action which shall be necessary on its part to enable PIPD 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 is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations: the Borrower shall have failed to perform any of its obligations under the Special Operations Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the Special 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.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Special Operations Loan Agreement has been duly executed and delivered on behalf of and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. 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 10.04 of the Loan Regulations.

## **ARTICLE VII**

### **Delegation of Authority**

Section 7.01. The Borrower hereby designates PIPD through Punjab its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.05 of this Loan Agreement and under Sections 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by PIPD 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 PIPD 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, Economic Affairs Division, Ministry of Economic Affairs and Statistics of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

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

Facsimile Numbers:

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

For ADB

Asian Development Bank  
P.O. Box 789  
0980 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 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.

ISLAMIC REPUBLIC OF PAKISTAN

By  \_\_\_\_\_

Authorized Representative

ASIAN DEVELOPMENT BANK

By  \_\_\_\_\_

PETER L. FEDON  
Country Director  
Pakistan Resident Mission

## SCHEDULE 1

### Description of the Project

1. The Project is the first project under the Investment Program that defines approach and modalities that will be used on subsequent projects under the Investment Program. The impact of the Project will be economic growth and improved sustainability of water and land resources in Punjab through improved management of water resources and increased productivity of irrigated agriculture. The outcomes of the Project will include (i) physical rehabilitation and upgrading of irrigation infrastructure, (ii) improved practices and strengthened institutional frameworks for ground and surface water management, (iii) modernized irrigation management systems operation and procedures, (iv) reformed and restructured institutions for improved and sustainable irrigation service delivery, and (v) developed capacity at all levels to support management and institutional changes.

2. This Project has the following parts:

A. Balloki Barrage Complex

(i) rehabilitation and upgrading of Balloki Barrage, including the possible construction of guidewalls and provision of upgraded electro-mechanical equipment;

(ii) rehabilitation and upgrading of head regulators, including the development of an additional head regulator adjacent to the Balloki and Sulemanki Link Canal head regulator, and provision of equipment for gate operation, grouting, plastering and other remedial works for the LBDC head regulator; and

(iii) construction of a spillway, associated bridges, an auxiliary flood channel, and associated earthworks to mitigate flood risks and damages.

B. LBDC Canal Network

(i) rehabilitation and upgrading of the main canal structures, including approximately 55 distributary head regulators, 20 fall bridges and fall flumes, 14 road bridges, numerous direct offtakes, an aqueduct, and drainage siphons and other structures;

(ii) rehabilitation and upgrading of the distribution network, including the rehabilitation and/or construction of distributary and minor canals, construction of *buffalo ghats* (designated areas for buffalos to wallow to prevent damage to the canal prism), bridges, and other minor infrastructure; and

(iii) involving FOs in the rehabilitation and upgrading of minor and distributary canals through their participation in the identification and design of works, and community contracting.

C. Groundwater Management

development of (i) a groundwater well network to monitor groundwater levels and quality, (ii) a groundwater database and models to aquifer system to support decision making process and impact analysis, and (iii) a draft groundwater management plan for LBDC.

D. On Farm Water Management and Agriculture

development of approximately 72 field programs on selected watercourses in each FO service area within LBDC to demonstrate the latest efficient irrigation technologies and improved agriculture practices.

E. Institutional Strengthening and Operations Modernization

(i) development and implementation of a mobilization program for Khal Panchayats (KP) in approximately 3,500 water courses in LBDC;

(ii) establishment of approximately 60 to 70 FOs on the distributary and minor canals;

(iii) establishment of at least 12 irrigation management units (IMUs) and provision of IMUs staff support;

(iv) training programs for FOs and IMUs in the following areas: (a) institutional overview and roles and responsibilities of stakeholders in the irrigation sector, (b) administrative management, (c) financial management, (d) water charge assessment and billing procedures, (e) system maintenance, (f) gender, and (g) system operation and water management; and

(v) development and implementation of an operations modernization strategy for improved LBDC management, including a plan for effective AWB management at the LBDC main canal level, and transition options towards decentralized management institutions, new operational procedures, an asset management plan, and model irrigation management transfer and service contracts.

F. Project Preparatory Facility

(i) preparation of feasibility studies, environmental and social assessments, and detailed design for the ensuing projects on the rehabilitation and upgrading of (a) Pakpattan Canal and Sulemanki Barrage, (b) Thal Canal distribution network, (c) Sidhnai Canal, and (d) Trimmu and Punjnad Barrages; and

(ii) provision of equipment.

3. The Project includes the provision of consulting services and is expected to be completed by 31 March 2013.

## SCHEDULE 2

### Amortization Schedule

(Punjab Irrigated Agriculture Investment Program – Project 1)

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, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Date Repayment Due</u>			<u>Installment Share</u> (expressed in Percentage) *
1	June	2012	0.83
1	December	2012	0.87
1	June	2013	0.91
1	December	2013	0.96
1	June	2014	1.01
1	December	2014	1.06
1	June	2015	1.11
1	December	2015	1.16
1	June	2016	1.22
1	December	2016	1.28
1	June	2017	1.35
1	December	2017	1.42
1	June	2018	1.49
1	December	2018	1.56
1	June	2019	1.64
1	December	2019	1.72
1	June	2020	1.81
1	December	2020	1.90
1	June	2021	1.99
1	December	2021	2.09
1	June	2022	2.20
1	December	2022	2.31
1	June	2023	2.42
1	December	2023	2.54
1	June	2024	2.67
1	December	2024	2.80

\* The figures in this column represent installment shares as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the relevant provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-based Loans.

<u>Date Repayment Due</u>			<u>Installment Share</u> (expressed in Percentage) *
1	June	2025	2.94
1	December	2025	3.09
1	June	2026	3.25
1	December	2026	3.41
1	June	2027	3.58
1	December	2027	3.76
1	June	2028	3.94
1	December	2028	4.14
1	June	2029	4.35
1	December	2029	4.57
1	June	2030	4.79
1	December	2030	5.03
1	June	2031	5.29
1	December	2031	<u>5.54</u>
			<b><u>100.00</u></b>

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.

(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, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two 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.

\* The figures in this column represent installment shares as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the relevant provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-based Loans.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

### SCHEDULE 3

#### Allocation and Withdrawal of Loan Proceeds

##### General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, consulting 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.

##### Interest and Commitment Charge

3. The amount allocated to Category 7 is for financing interest and commitment charge on the Loan during the implementation period of the Project. 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 and commitment charge.

##### 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, in consultation with and 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 consultation with and notice to the Borrower, reallocate such excess amount to any other Category.

##### Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds for financing of all Goods, Works and consulting services shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2001 (ADB's Loan Disbursement Handbook) and ADB's "Interim Guidelines for Disbursement Operations, LIBOR-Based Loan Products" dated July 2002, both as amended from time to time.

Imprest Account: Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall cause Punjab to establish, within one (1) month of 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 currency of the imprest account shall be Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six (6) months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(c) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook 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 \$100,000.

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with the recruitment of the project consultants, subject to a maximum amount equivalent to 20 percent of the Loan amount.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b> (Punjab Irrigated Agriculture Investment Program – Project 1)			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Amount Allocated Yen Category</b>	<b>Percentage and Basis for Withdrawal from the Loan Account</b>
1	Works	20,724,545,000	90 percent of total expenditure
2	Equipment and Related Services	194,021,000	41 percent of total expenditure
3	Land Acquisition, Resettlement, Environmental Mitigation, and Surveys	75,511,000	7 percent of total expenditure
4	Consulting Services	2,203,129,000	82 percent of total expenditure
5	Project Management	2,966,000	100 percent of total expenditure*
6	Capacity Development	583,535,000	59 percent of total expenditure
7	Interest and Commitment Charges	1,460,156,000	100 percent of amounts due
8	Recurrent	327,693,000	16 percent of total expenditure
9	Unallocated	66,271,000	
	<b>Total</b>	<b>25,637,827,000</b>	

\* Exclusive of taxes and duties

## SCHEDULE 4

### Procurement of Goods and Works, and Consulting Services

#### A. General

1. All Goods and Works, and consulting services, to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Limited International Bidding
Shopping
Community (FOs) Participation in the form of sub-contracting under the civil works contracts for the distributary and minor canals

The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Project Executing Agency may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. Domestic Preference. The Project Executing Agency may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.
5. National Competitive Bidding. No procurement activity may be undertaken under national competitive bidding procedures until ADB and the Project Executing Agency shall have agreed in writing on any necessary modifications or clarifications to the Public Works Department Code (Punjab) and the Punjab Purchase Manual (1985), as amended, to ensure consistency with the Procurement Guidelines. Such modifications or clarifications shall be reflected in the Procurement Plan and are hereby incorporated by reference in this Loan Agreement.

**C. Conditions for Award of Contract**

6. The Project Executing Agency shall not award any Works contract for any of the subprojects referred to in paragraph 22 of the Schedule to the Project Agreement until ADB has approved the updated Resettlement Plan.

**D. Recruitment of Consulting Services.**

7. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, the Project Executing Agency shall apply quality- and cost-based selection for recruiting consulting services.

8. Individual Consultants. The Project Executing Agency shall recruit individual consultants for project preparation and implementation in accordance with ADB's procedures for recruitment of individual consultants.

**E. Industrial or Intellectual Property Rights**

9. (a) The Project Executing Agency shall ensure that all Goods and Works 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 Project Executing Agency shall ensure that all contracts for the procurement of Goods and Works 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; and 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.

10. The Project Executing Agency 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.

**F. ADB's Review of Procurement Decisions**

11. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the, unless otherwise agreed between the Project Executing Agency and ADB and set forth in the Procurement Plan.

**SCHEDULE 5**

**Execution and Implementation of Project**

1. The Borrower shall ensure that the Project is carried out in accordance with the FFA and all the Schedules (including Annexes) attached thereto.