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LOAN NUMBER 2300-PAK (SF)

LOAN AGREEMENT  
(Special Operations)

(Punjab Irrigated Agriculture Investment Program – Project 1)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 22 JUNE 2007

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LAS:PAK 37231

## **LOAN AGREEMENT (Special 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 (hereinafter called FFA) 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 the Ordinary Operations Loan Agreement of even date herewith (hereinafter called the Project);

(C) by an agreement of even date herewith between the Borrower and ADB (hereinafter called the Ordinary Operations Loan Agreement), ADB has agreed to lend the Borrower a loan in an amount of twenty-five billion six hundred thirty-seven million eight hundred twenty-seven thousand Japanese Yen (¥ 25,637,827,000) from its ordinary capital resources for the purposes of financing the Project, except Part F thereof;

(D) the Project will be carried out by the Punjab Irrigation and Power Department (hereinafter called PIPD), and for this purpose the Borrower will make available to PIPD 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 Special Funds 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 agree as follows:

### **ARTICLE I**

#### **Loan Regulations; Definitions**

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (hereinafter called 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 Loan Regulations and in Section 1.02 of the Ordinary Operations Loan Agreement have the respective meanings therein set forth.

## **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 six million seven hundred forty-three thousand Special Drawing Rights (SDR 6,743,000).

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 1 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 June and 1 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 1 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Yen.

## **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 Part F of the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The Goods 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 and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 2 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 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 and consulting 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 consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to the Ordinary Operations Loan Agreement. ADB may refuse to finance a contract where Goods 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 3.05. The Loan Closing Date for the purposes of Section 8.02 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 the Ordinary Operations Loan Agreement and the Schedule to the Project 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 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 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: the Borrower shall have failed to perform any of its obligations under the Ordinary Operations Loan 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: the events 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 9.01(f) of the Loan Regulations: 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.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Ordinary 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 9.04 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 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 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 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 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

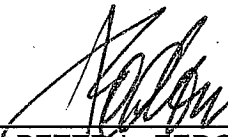
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By  \_\_\_\_\_

Authorized Representative

ASIAN DEVELOPMENT BANK

By  \_\_\_\_\_

PETER L. FEDON  
Country Director  
Pakistan Resident Mission

**SCHEDULE 1****Amortization Schedule**

(Punjab Irrigated Agriculture Investment Program – Project 1)

			<b><u>Payment of Principal</u></b>
<b><u>Date Payment Due</u></b>			<b>(expressed in SDR)*</b>
1	June	2015	140,479
1	December	2015	140,479
1	June	2016	140,479
1	December	2016	140,479
1	June	2017	140,479
1	December	2017	140,479
1	June	2018	140,479
1	December	2018	140,479
1	June	2019	140,479
1	December	2019	140,479
1	June	2020	140,479
1	December	2020	140,479
1	June	2021	140,479
1	December	2021	140,479
1	June	2022	140,479
1	December	2022	140,479
1	June	2023	140,479
1	December	2023	140,479
1	June	2024	140,479
1	December	2024	140,479
1	June	2025	140,479
1	December	2025	140,479
1	June	2026	140,479
1	December	2026	140,479
1	June	2027	140,479
1	December	2027	140,479
1	June	2028	140,479
1	December	2028	140,479
1	June	2029	140,479
1	December	2029	140,479
1	June	2030	140,479
1	December	2030	140,479
1	June	2031	140,479
1	December	2031	140,479
1	June	2032	140,479

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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.

<u>Date Payment Due</u>			<u>Payment of Principal</u> (expressed in SDR)*	
1	December	2032	SDR	140,479
1	June	2033		140,479
1	December	2033		140,479
1	June	2034		140,479
1	December	2034		140,479
1	June	2035		140,479
1	December	2035		140,479
1	June	2036		140,479
1	December	2036		140,479
1	June	2037		140,479
1	December	2037		140,479
1	June	2038		140,479
1	December	2038		140,487
		TOTAL	SDR	<u>6,743,000</u>

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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 2

### Allocation and Withdrawal of Loan Proceeds

#### General

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

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

#### 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, in consultation with and 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 for financing all Goods and consulting services shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2001 (ADB's Loan Disbursement Handbook) as amended from time to time.

Retroactive Financing

6. 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 SDR Category</b>	<b>Percentage and Basis for Withdrawal from the Loan Account</b>
1	Equipment and Related Services	332,000	69 percent of total expenditure
2	Consulting Services	6,252,000	99 percent of total expenditure
3	Interest Charge	159,000	100 percent of amount due
	Total	6,743,000	