
LOAN NUMBER ____-PAK (SF)

LOAN AGREEMENT
(Special Operations)

(Barani Integrated Water Resources Sector Project)

between

The Islamic Republic of Pakistan

and

ASIAN DEVELOPMENT BANK

DATED _____ 2008

LAS:PAK 39364

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated _____2008 between the Islamic Republic of Pakistan (“the Borrower”) and ASIAN DEVELOPMENT BANK (“ADB”).

WHEREAS

(A) the Borrower has applied to ADB for a loan from its Special Fund resources for the purposes of the Barani Integrated Water Resources Sector Project (the Project) as more fully described in Schedule 1 to this Loan Agreement;

(B) by an agreement of even date herewith between the Borrower and ADB (“Ordinary Operations Loan Agreement”), ADB has agreed to lend to the Borrower, from its Ordinary Capital resources, a loan in an amount of fifty five million Dollars (\$55,000,000) for the purposes of the Project;

(C) the Project will be carried out by the Province of Punjab (hereinafter called Punjab) and for this purpose the Borrower will make available to Punjab the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has 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 the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (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. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) “Consulting Guidelines” means ADB’s Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2007, as amended from time to time);

(b) “Department of Agriculture” means the Punjab Department of Agriculture or any legal successor thereto acceptable to ADB;

(c) "Department of Forestry" means the Punjab Department of Forestry or any legal successor thereto acceptable to ADB;

(d) "Department of Livestock" means the Punjab Department of Livestock or any legal successor thereto acceptable to ADB;

(e) "Department of Local Government" means the Punjab Department of Local Government or any legal successor thereto acceptable to ADB;

(f) "EPA" means the Punjab Environmental Protection Agency or any legal successor thereto acceptable to ADB;

(g) "Gender Action Plan" means the Gender Action Plan as set out in supplementary appendix J of the Report and Recommendation of the President of ADB to the Board of Directors of ADB for the Loan;

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

(i) "O&M" means operation and maintenance;

(j) "Output" means the Output as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(k) "Participation Strategy" means the Participation Strategy as set out in supplementary appendix F of the Report and Recommendation of the President of ADB to the Board of Directors of ADB for the Loan;

(l) "PC-1" means the Borrower's Planning Commission Pro-forma 1;

(m) "PIDA" means the Punjab Irrigation and Drainage Authority or any legal successor thereto acceptable to ADB;

(n) "PIDA Act" means the Punjab Irrigation and Drainage Authority Act, 1997, as may be amended from time to time;

(o) "PIPD" means the Punjab Irrigation and Power Department or any legal successor thereto acceptable to ADB;

(p) "Planning and Development Board" means the Punjab Planning and Development Board or any legal successor thereto acceptable to ADB;

(q) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);

(r) "Procurement Plan" means the procurement plan for the Project dated, 22 January 2008, 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;

(s) "Project area" means the districts of Attock, Rawalpindi, Jehlum and Chakwal in the barani areas of Punjab;

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

(u) "Provincial Board of Revenue" means the Punjab Provincial Board of Revenue or any legal successor thereto acceptable to ADB;

(v) "Punjab Local Government Ordinance" means the Punjab Local Government Ordinance, 2001, as may be amended from time to time;

(w) "SDO" means the small dams organization within PIPD or any successor thereto acceptable to ADB;

(x) "SEMU" means the social and environmental management unit within PIPD or any successor thereto acceptable to ADB;

(y) "TMA" means the tehsil municipal administration as defined under Punjab Local Government Ordinance; and

(z) "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. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to twelve million five hundred ninety six thousand Special Drawing Rights (SDR 12,596,000).

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 1 January and 1 July 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.

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 Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to Punjab upon terms and conditions satisfactory to ADB and shall cause Punjab 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. Withdrawals from the Loan 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 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 3.04. 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.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2014 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 5 to this 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 and Works 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 Punjab 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.

Section 4.04. (a) The Borrower shall exercise its rights under the financing arrangements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the financing arrangements shall be assigned, amended, or waived without the prior concurrence of ADB.

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 8.01(m) of the Loan Regulations: The Borrower shall have failed to perform 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 event specified in Section 5.01 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; and

(b) the PC-1 shall have been approved by the competent authority of the Borrower.

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

Section 6.03. A date thirty (30) 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 Punjab 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 Punjab 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 Punjab 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 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) 636-2301

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 _____
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____

SCHEDULE 1**Description of the Project**

1. The Project impact is to improve household income and health within the Project area. The Project outcome is to increase crops and livestock productivity and households' access to domestic water supply.
2. The Project has the following Outputs:
 - (i) Provide sustainable water storage capacity through (a) the construction of dams and the associated structures; and (b) the provision of watershed management.
 - (ii) Develop sustainable and profitable command areas and water supply through (a) the development of water supply and sanitation within the Project area; (b) the establishment or the rehabilitation of community-managed irrigation schemes within the Project area; and (c) the improvement of farmers' access to production support and market services .
 - (iii) Provide dams planning, management and implementation capacity for PIPD, SDO and the communities.
3. The Project is expected to be completed by 30 June 2014.

SCHEDULE 2**Amortization Schedule****(Barani Integrated Water Resources Sector Project)**

<u>Period</u>	<u>Date Payment Due</u>	<u>Payment of Principal (expressed in SDR)*</u>
1	1 July 2016	262,417.00
2	1 January 2017	262,417.00
3	1 July 2017	262,417.00
4	1 January 2018	262,417.00
5	1 July 2018	262,417.00
6	1 January 2019	262,417.00
7	1 July 2019	262,417.00
8	1 January 2020	262,417.00
9	1 July 2020	262,417.00
10	1 January 2021	262,417.00
11	1 July 2021	262,417.00
12	1 January 2022	262,417.00
13	1 July 2022	262,417.00
14	1 January 2023	262,417.00
15	1 July 2023	262,417.00
16	1 January 2024	262,417.00
17	1 July 2024	262,417.00
18	1 January 2025	262,417.00
19	1 July 2025	262,417.00
20	1 January 2026	262,417.00
21	1 July 2026	262,417.00
22	1 January 2027	262,417.00
23	1 July 2027	262,417.00
24	1 January 2028	262,417.00
25	1 July 2028	262,417.00
26	1 January 2029	262,417.00
27	1 July 2029	262,417.00
28	1 January 2030	262,417.00
29	1 July 2030	262,417.00
30	1 January 2031	262,417.00
31	1 July 2031	262,417.00
32	1 January 2032	262,417.00
33	1 July 2032	262,417.00
34	1 January 2033	262,417.00
35	1 July 2033	262,417.00
36	1 January 2034	262,417.00
37	1 July 2034	262,417.00
38	1 January 2035	262,417.00
39	1 July 2035	262,417.00
40	1 January 2036	262,417.00
41	1 July 2036	262,417.00
42	1 January 2037	262,417.00

Schedule 2

<u>Period</u>	<u>Date Payment Due</u>	<u>Payment of Principal (expressed in SDR)*</u>
43	1 July 2037	262,417.00
44	1 January 2038	262,417.00
45	1 July 2038	262,417.00
46	1 January 2039	262,417.00
47	1 July 2039	262,417.00
48	1 January 2040	<u>262,401.00</u>
TOTAL		<u>12,596,000.00</u>

* 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 relevant provisions of the Special Operations Loan Regulations.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, 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 and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories 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 5 is for financing interest 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 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, 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.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at National Bank of Pakistan. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest account shall be Dollars. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the first six months of estimated expenditures to be financed from the imprest account, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures, 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 the equivalent of \$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 (a) the feasibility and detailed design studies, (b) environmental assessment studies, (c) the numerical modeling study, and (d) the recruitment of the Project implementation consultants and NGO social mobilizers, subject to a maximum amount equivalent to 20 percent of the Loan amount.

Condition of Withdrawal from Loan Account

8. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for Category 1 for a particular subproject until those affected by land acquisition and involuntary resettlement activities under the subproject have been adequately compensated in accordance with (a) the land acquisition and resettlement framework (LARF) agreed upon between ADB and the Borrower, and (b) ADB's *Policy on Involuntary Resettlement* (1995).

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Barani Integrated Water Resources Sector Project)				
CATEGORY				ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing SDR		Percentage of ADB Financing from the Loan Account
		Category	Subcategory	
1	Works	7,827,000		
1A	Watershed		2,250,000	85 percent of total expenditure
1B	Irrigation Network and Land Leveling		3,936,000	85 percent of total expenditure
1C	Water Supply and Sanitation		1,641,000	85 percent of total expenditure
2	Recurrent Costs (Equipment O&M) ^a	372,000		24 percent of total expenditure
3	Consulting Services (Capacity Development)	2,442,000		89 percent of total expenditure
4	Training and Extension Activities	521,000		85 percent of total expenditure
5	Interest	351,000		100 percent of amounts due
6	Unallocated	1,083,000		
	Total	12,596,000		

^a This will cover the recurrent costs associated with the operation and maintenance of PMU main office vehicles.

SCHEDULE 4

Provisions on Procurement 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
Shopping

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower 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. National Competitive Bidding. The procedures to be followed for national competitive bidding shall be those set forth in the Public Procurement Rules 2004 [S. R. O. 432 (1)/2004] issued on 9 June 2004 by the Public Procurement Regulatory Authority Ordinance 2002 (XXII of 2002) of the Borrower with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines:

i. Registration

(a) Bidding shall not be restricted to pre-registered firms and such registration shall not be a condition for participation in the bidding process.

(b) Where registration is required prior to award of contract, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

ii. Prequalification

(a) Normally, post-qualification shall be used unless prequalification is explicitly provided for in the Loan Agreement/Procurement Plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

(b) The bidders for the Works contract under the Project may be pre-qualified, using process satisfactory to ADB, before bidding.

iii. Bidding Period

The minimum bidding period is twenty-eight (28) days prior to the deadline for the submission of bids.

iv. Bidding Documents

Procuring entities shall use the applicable standard bidding documents for the procurement of Goods and Works acceptable to ADB.

v. Domestic Preference

No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.

vi. Advertising

Invitations to bid shall be advertised in at least one widely circulated national daily newspaper or freely accessible, nationally-known website allowing a minimum of twenty-eight (28) days for the preparation and submission of bids. NCB contracts estimated to cost \$500,000 or more for Goods or \$1,000,000 or more for Works will be advertised in the Opportunities section of ADB's website concurrently with the general procurement notice.

vii. Bid Security

Where required, bid security shall be in the form of a bank guarantee from a reputable bank.

viii. Bid Opening and Bid Evaluation

(a) Bids shall be opened in public.

(b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder.

(c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(d) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the ADB's prior concurrence.

(e) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted.

ix. Rejection of All Bids and Rebidding

Bids shall not be rejected and new bids solicited without the ADB's prior concurrence.

x. Participation by Enterprises owned by the Borrower

The enterprises owned by the Borrower shall be eligible to participate as bidders only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

xi. ADB Member Country Restrictions

Bidders must be nationals of member countries of ADB, and offered Goods and Works must be produced in and supplied from member countries of ADB.

C. Selection of Consulting Services

5. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

6. The Borrower shall apply the following methods for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Consultants Qualifications Selection for environment impact assessment services.
Single Source Selection for training and mentoring on participatory extension services.
Individual consultant for Project implementation services.

7. The Borrower shall recruit the individual consultants in accordance with ADB's procedures for the recruitment of individual consultants.

D. Industrial or Intellectual Property Rights

8. (a) The Borrower 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 Borrower 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.

9. 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.

F. ADB's Review of Procurement Decisions

10. All contracts procured under international competitive bidding procedures, the first three contracts under national competitive bidding procedures, and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Project Implementation

1. The Borrower shall cause Punjab through PIPD to act as the EA for the Project and responsible for overall Project management and implementation.

Land Acquisition and Resettlement

2. The Borrower shall, and shall cause Punjab to ensure that all land acquisition and resettlement activities under the subprojects shall be done in accordance with (a) the LARF agreed upon by the Borrower and ADB, (b) the relevant laws, regulations, and procedures of the Borrower and Punjab, and (c) ADB's *Policy on Involuntary Resettlement* (1995).

Counterpart Funds

3. The Borrower shall, and shall cause Punjab to ensure that the required counterpart funds are made, approved and released in a timely manner in order to ensure proper implementation of the Project.

Environment

4. The Borrower shall, and shall cause Punjab to ensure that the design, construction, operation and maintenance of all the subprojects' facilities are carried out in accordance with (a) the agreed upon Environment Assessment and Review Procedure (EARP), (b) ADB's *Environment Policy* (2002), and (c) the Borrower and Punjab regulations on environment.

Gender and Participation Strategy

5. The Borrower shall, and shall cause Punjab to ensure that women shall be actively engaged under the Project as both Project beneficiaries and participants in accordance with the Gender Action Plan agreed upon between the Punjab and ADB.

6. The Borrower shall, and shall cause Punjab to ensure that the communities within the Project area shall be actively engaged under the Project as both Project beneficiaries and participants in accordance with the Participation Strategy agreed upon between the Punjab and ADB.

Anti-Corruption

7. The Borrower shall, and shall cause Punjab to comply with ADB's Anticorruption Policy (1998, as amended to date). The Borrower shall, and shall cause Punjab to agree (a) that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project and (b) to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, the Borrower shall, and shall cause Punjab to (a) conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements and (b) ensure that, all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of PIPD, all contractors, suppliers, consultants and other service providers as they relate to the Project.