
LOAN NUMBER 2644-PAK(SF)

LOAN AGREEMENT
(Special Operations)

(Punjab Millennium Development Goals Program – Subprogram 2)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 24 JUNE 2010

LPS:PAK 41641

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 24 June 2010 between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Province of Punjab ("Punjab") a development policy letter dated 13 May 2010 ("Policy Letter") and endorsed by the Borrower, setting forth the objectives, policies and actions designed to help Punjab attain the Millennium Development Goals ("MDG") for reducing the infant mortality and maternal mortality rates, as more fully described in Schedule 1 to this Loan Agreement ("Program");

(B) the Program comprises the second subprogram of a program cluster, as described in Schedule 1 to this Loan Agreement ("Program Cluster"), and the Borrower has applied to ADB for a loan from ADB's Special Funds resources for the purposes of financing the Program;

(C) the Program will be implemented by Punjab, and for this purpose the Borrower will make available to Punjab the Pakistan rupee proceeds generated from the loan provided for herein upon terms and conditions mutually agreed between the Borrower and Punjab and satisfactory to ADB; and

(D) ADB has, on the basis inter alia of the foregoing, agreed to make a loan to the Borrower from its Special Funds resources upon the terms and conditions hereinafter set forth and in a program agreement of even date herewith between ADB and Punjab ("Program Agreement");

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 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(24) is deleted and the following is substituted therefor:

"24. The term 'Program' means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended

from time to time by agreement between ADB and the Borrower."

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(26) is deleted and the following is substituted therefor:

"26. The term 'Program Executing Agency' means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement."

(d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

(e) Section 6.05 (c) is deleted and the following is substituted therefor:

"(c) Promptly after the closing date for withdrawals from the Loan Account, but in any event not later than 3 months thereafter or such later date as may be agreed for this purpose between the Borrower and ADB, the Borrower shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution of the Program, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan."

Section 1.02. The terms defined in the Loan Regulations are incorporated into this Loan Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "BHU" means a basic health unit in Punjab;

(b) "Chief Minister" means the Chief Minister of the Government of Punjab, and any successor thereto;

(c) "Counterpart Funds" means the Pakistan rupee proceeds accruing to the Borrower and generated from the proceeds of the Loan;

(d) "Deposit Account" means the account nominated by the Borrower at the State Bank of Pakistan, as referred to in paragraph 4 of Schedule 3 to this Loan Agreement;

(e) "DG" means a district government in Punjab;

(f) "DHIS" means the district health information system;

(g) "DHQ" means a district headquarters hospital;

(h) "Eligible Items" means the goods imported under the Program (except those specifically excluded pursuant to the Attachment 1 to Schedule 3 of this Loan

Agreement), the foreign exchange costs of which are eligible for financing out of the proceeds of the Loan;

(i) "FD" means the Finance Department of Punjab, and any successor thereto;

(j) "Financial Year" or "FY" means the period from 1 July of the current year to 30 June of the following year;

(k) "HD" means the Health Department of Punjab, and any successor thereto;

(l) "MDG" has the meaning given thereto in Recital (A) of this Loan Agreement;

(m) "MNCH" means maternal, neonatal and child health;

(n) "MSDS" means the minimum service delivery standards notified by Punjab on 31 December 2007;

(o) "NCHD" means the National Commission for Human Development of the Borrower, and any successor thereto;

(p) "ODGHS" means the Office of Director General, Health Services in HD;

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

(r) "Policy Matrix" means the policy actions that are set forth in the Policy Letter and in Attachment 2 to Schedule 3 to this Loan Agreement and are to be fulfilled in order for the Loan proceeds to be released;

(s) "Program" or "SP2" has the meaning given thereto in Recital (A) of this Loan Agreement;

(t) "Program Agreement" has the meaning given thereto in Recital (D) of this Loan Agreement

(u) "Program Cluster" has the meaning given thereto in Recital (B) of this Loan Agreement

(v) "Program Executing Agency" for the purposes and within the meaning of the Loan Regulations, means HD and any successor thereto;

(w) "PRSP" means the Punjab Rural Support Program;

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

(y) "RHC" means a rural health center in Punjab;

- (z) "Rupees" or the sign "PRs." means Pakistan rupees, the currency of the Borrower;
- (aa) "SP1" means the first subprogram of the Program Cluster; and
- (bb) "THQ" means a *tehsil* headquarters hospital.

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 one hundred two million three hundred eighteen thousand Special Drawing Rights (SDR 102,318,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 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.

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 the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make the Counterpart Funds available to Punjab upon terms and conditions mutually agreed between the Borrower and Punjab and satisfactory to ADB.

(b) The Borrower shall cause Punjab to apply the Counterpart Funds to the financing of expenditures for the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan may be withdrawn from the Loan Account only for the purposes of financing foreign currency expenditures incurred for Eligible Items under the Program 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 Eligible Items 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 3.04. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which:

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

Section 3.05. Except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account in respect of expenditures for Eligible Items incurred more than 180 days prior to the Effective Date.

Section 3.06. 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. (a) The Borrower shall, and shall cause Punjab to, carry out the Program with due diligence and efficiency and in conformity with sound administrative, financial, environmental, and health sector practices; and

(b) In the carrying out of the Program, the Borrower shall, and shall cause Punjab to, perform all obligations set forth in Schedule 5 to this Loan Agreement. The Borrower shall also cause Punjab to perform all obligations set forth in the Program Agreement.

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB semiannual reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V

Effectiveness

Section 5.01 A date 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 VI

Miscellaneous

Section 6.01. 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 6.02. 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:

(9152) 920-5971

(9152) 921-0734.

For ADB

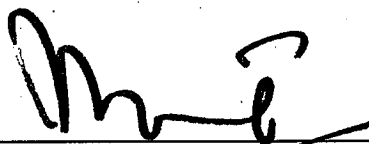
Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

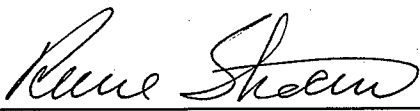
(632) 636-2444
(632) 636-2424.

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

ISLAMIC REPUBLIC OF PAKISTAN

By 
Sibtain Fazal Halim
Secretary
Economic Affairs Division
Ministry of Economic Affairs and
Statistics

ASIAN DEVELOPMENT BANK

By 
Rune Stroem
Country Director
Pakistan Resident Mission

SCHEDULE 1**Description of the Program**

1. The principal objective of the Program Cluster is to assist Punjab to attain the MDG relating to infant and maternal mortality rates through undertaking health sector reforms to (i) improve the availability and quality of primary and secondary health services; (ii) strengthen the management of health service delivery; and (iii) establish a sustainable and pro-poor health care financing system. The Program Cluster comprises 3 subprograms and the Program is the second subprogram. The Program is described in more detail in the Policy Letter, and is expected to be implemented by 30 June 2010.

4. In support of the Program:

(a) the proceeds of the Loan shall be used to finance the foreign exchange costs of Eligible Items; and

(b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of certain programs and other activities consistent with the objectives of the Program, pursuant to the provisions of paragraph 8 of Schedule 5 to this Loan Agreement.

5. The proceeds of the Loan are expected to be utilized by 31 December 2010.

SCHEDULE 2**Amortization Schedule****(Punjab Millennium Development Goals Program – Subprogram 2)**

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
1 December 2018	3,197,437.50
1 June 2019	3,197,437.50
1 December 2019	3,197,437.50
1 June 2020	3,197,437.50
1 December 2020	3,197,437.50
1 June 2021	3,197,437.50
1 December 2021	3,197,437.50
1 June 2022	3,197,437.50
1 December 2022	3,197,437.50
1 June 2023	3,197,437.50
1 December 2023	3,197,437.50
1 June 2024	3,197,437.50
1 December 2024	3,197,437.50
1 June 2025	3,197,437.50
1 December 2025	3,197,437.50
1 June 2026	3,197,437.50
1 December 2026	3,197,437.50
1 June 2027	3,197,437.50
1 December 2027	3,197,437.50
1 June 2028	3,197,437.50
1 December 2028	3,197,437.50
1 June 2029	3,197,437.50
1 December 2029	3,197,437.50
1 June 2030	3,197,437.50
1 December 2030	3,197,437.50
1 June 2031	3,197,437.50
1 December 2031	3,197,437.50
1 June 2032	3,197,437.50
1 December 2032	3,197,437.50
1 June 2033	3,197,437.50
1 December 2033	3,197,437.50
1 June 2034	3,197,437.50
Total	102,318,000.00

*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**Withdrawal of Loan Proceeds**

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

2. (a) Withdrawals from the Loan Account shall be made for the financing of the cost of Eligible Items.

(b) No withdrawal from the Loan Account shall be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other loans made by ADB.

3. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Such withdrawal application shall be accompanied by a certificate of the Borrower confirming that (i) in case the proceeds of the Loan will finance imports already made, the value of Eligible Imports, as defined below, in the period concerned exceeded the amount of the requested withdrawal, or (ii) in case the proceeds of the Loan will finance items to be imported, the value of Eligible Imports in the immediately preceding one-year period was equal to or greater than the amount of the requested withdrawal plus all other amounts expected to be withdrawn from the Loan Account during the succeeding one-year period.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Borrower during the relevant period minus the following imports during the same period:

- (i) imports from countries which are not members of ADB;
- (ii) imports for ineligible items specified in the Attachment to this Schedule; and
- (iii) imports financed from credits from official international or bilateral aid agencies or any other loans made by ADB.

(d) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.

4. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account at the State Bank of Pakistan to serve as the Deposit Account, into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles.

Upon ADB's request, the Borrower shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower's compliance with the formula for determining Eligible Imports.

5. Notwithstanding any other provisions of this Loan Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawal shall be made from the Loan Account unless ADB shall be satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; and, in particular, (b) the Borrower has fulfilled the policy actions specified in Attachment 2 to this Schedule.

List of Ineligible Items

No withdrawals of the Loan proceeds shall be made in respect of:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

Table A12: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in Rupee or of goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Policy Actions for the Program

In order for the Loan proceeds to be released, the following policy actions shall have been fulfilled or otherwise complied with to the satisfaction of ADB:

Core Policy Area 1 – To improve the availability and quality of primary and secondary health services

- 1.1. HD has completed MNCH-related MSDS information campaigns targeting the general public, health workers and facilities in all districts of Punjab.
- 1.2. Each of the DGs, based on feedback from ODGHS, has updated its 3-year rolling plan previously adopted under SP1 for implementing MNCH-related MSDS, and at least 7 DGs have substantially conformed to the minimum level of MNCH-related MSDS.
- 1.3. Out of 2446 functional BHUs, 290 RHCs, 78 THQs and 35 DHQs in Punjab, at least 80% have been equipped with 95% or more of the MNCH-related equipment notified by HD.
- 1.4. At least 95% of BHUs in Punjab has, as a minimum, a women medical officer, lady health visitor or midwife in each BHU.
- 1.5. Out of 14403 essential MNCH-related positions identified under the Punjab Health Sector Reforms Program, at least 80% have been filled.
- 1.6. Out of 30 nursing schools and 5 paramedic schools regulated by district health authorities in Punjab, at least 50% have been upgraded in the areas specified by, and according to the requirements of ODGHS and Director General Nursing of Punjab.
- 1.7. Out of all 10914 MNCH-related workers in Punjab, at least 90% have completed the training on MSDS and relevant parts of the standard medical protocols, the standard operating procedures, and referral protocols endorsed by HD.
- 1.8. Responsibility for conducting examinations for paramedics has been assigned from the Punjab Medical Faculty to the University of Health Sciences, Lahore, and measures for improving the existing service structure for paramedics in Punjab have been approved by the Chief Minister.
- 1.9. The Chief Minister has approved establishment of continuous medical education for public sector doctors and paramedics, and two committees have been established by HD to guide further implementation.
- 1.10. The comprehensive Health Human Resources Plan, proposing inter alia rationalization of service structures and staff, has been approved by the Chief Minister, and census and computerized registration of all health workers in Punjab have been completed by HD.
- 1.11. A proposed bill for the Punjab Healthcare Commission Act, with a focus on improved regulation of healthcare delivery, has been developed and submitted to the Provincial Assembly.

Core Policy Area 2 – To strengthen the management of health service delivery

- 2.1. HD has assessed the effectiveness of ODGHS restructuring, and based on this assessment, ODGHS has adopted relevant measures for further improvement.
- 2.2. The capacity development plan adopted under SP1 for district health managers has been implemented, and out of 260 district health managers in Punjab, at least 50% have completed the training according to such plan.

- 2.3. DHIS is operational in all districts of Punjab.
- 2.4. Each DG's progress in MSDS implementation has been monitored by ODGHS through regular reporting by DGs via DHIS, and the technical assistance plan for each DG has been adjusted based on the results of such monitoring.
- 2.5. HD has developed health sector procurement guidelines for purchase of medicine, medical equipment and supplies to ensure timely and cost effective provision of relevant goods needed at health facilities in Punjab.
- 2.6. Each EDO Health has developed a system to monitor drug and medicine availability at primary and secondary health facilities.
- 2.7. Punjab, through regular monitoring of 18 different tracer drugs in all districts, has reduced the percentage of stock-outs to 35% of reporting facilities.
- 2.8. Based on the results of the third-party evaluation commissioned under SP1 on the impact of contracting primary healthcare service delivery to PRSP and NCHD, Punjab has developed and approved an action plan for institutionalizing the measures recommended by the said evaluation.
- 2.9. Integration of primary health programs and services has been piloted in 5 districts and the results assessed by HD.

Core Policy Area 3 – To establish a sustainable and pro-poor health care financing system

- 3.1. A consolidated medium-term framework for the health sector at the provincial level has been developed by HD to include provincial and district level information with a focus on MDG attainment.
- 3.2. Punjab's budget allocation for the health sector has been increased at least by 15% from FY2009 to FY2010.
- 3.3. Spending by DGs of the conditional grants provided under SP1 has been evaluated by HD to ensure conformity with related sector plans.
- 3.4. 50% of the Loan amount in Counterpart Funds has been set aside by FD for allocation in FY2010 as conditional grants under SP2 to all DGs (in addition to their regular budget) for implementation of MSDS.
- 3.5. The conditional grants for FY2010 have been disbursed to those DGs which have utilized 80% of the conditional grants provided under SP1 based on the minimum conditions and performance indicators previously established by HD.
- 3.6. A regular reporting system between DGs and ODGHS with reporting guidelines on utilization of the conditional grants has been established.
- 3.7. Health expenditure in all DGs has been increased, at least in proportion to allocations, through the regular budget of DGs, and the conditional grants transferred to DGs in addition to the normal budget.
- 3.8. A financial reporting system has been adopted by Punjab for the health sector based on classification codes of accounts that reflect the functional attributions of each tier of health services.
- 3.9. HD and DGs have undertaken a comprehensive assessment of fiduciary risk in the health sector and mitigation measures have been recommended.
- 3.10. DAC to have cleared at least 1200 outstanding audit observations.
- 3.11. 10 DGs have appointed internal auditors to strengthen internal controls, based on the detailed job descriptions and the terms of service prepared and approved by FD.
- 3.12. HD has taken steps to restructure its internal control system.
- 3.13. All vacant positions at grade-level 16 or above in the Internal Audit Wing of HD have been filled and a plan for internal audit of HD for FY2010 has been developed.

Attachment 2 to Schedule 3

- 3.14. Options have been identified by HD for Punjab's health financing and provider payment reforms.
- 3.15. New pro-poor health financing programs have been developed and piloted in 2 districts, and the results of such pilot programs have been evaluated by an entity endorsed by the Planning and Development Department.
- 3.16. A plan to rationalize, institutionalize and retain user charges for health services has been developed by HD and submitted for approval of the Chief Minister.

SCHEDULE 4

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraph of this Schedule shall apply in the procurement of Eligible Items to be financed out of the proceeds of the Loan.

2. (a) Except as provided in subparagraph (b) of this paragraph, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Borrower's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency.

(b) Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade and acceptable to ADB.

SCHEDULE 5

Program Implementation and Other Matters

Program Implementation

1. As the Program Executing Agency, HD shall be responsible for the overall implementation of the Program, including coordinating the implementation of policy actions by various departments, Program administration, disbursements, and the maintenance of Program records.

Continuity and Coordination of Reforms

2. The Borrower shall, and shall cause Punjab to: (a) carry out the policies and actions in accordance with the schedule of reforms in the Policy Matrix; and (b) carry out its obligations as stipulated in this Loan Agreement and the Program Agreement, all in a timely manner.

3. The Borrower shall ensure that adequate information and resources be made available to Punjab to facilitate implementation of policies and actions in the Program that are connected with, or can be affected by, federal initiatives.

4. The Borrower shall, and shall cause Punjab to: (a) ensure that the policies adopted and actions taken, as described in the Policy Letter and the Policy Matrix, prior to the date of this Loan Agreement continue in effect for the duration of, and beyond, the duration of the Program Cluster; and (b) adopt other policies and take other actions as specified in the Policy Letter and the Policy Matrix in accordance with the planned schedule, and ensure that such other policies and actions shall continue in effect during and after the Program Cluster period.

Policy Dialogue

5. The Borrower shall, and shall cause Punjab to, keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, the progress made in carrying out the Program.

6. The Borrower shall, and shall cause Punjab to, engage in policy dialogue with ADB, in a timely manner, on problems and constraints encountered during Program implementation and on appropriate measures to overcome or mitigate such problems and constraints.

7. The Borrower shall, and shall cause Punjab to, keep ADB informed of policy discussions with other multilateral or bilateral agencies that have implications for implementation of the Program, and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall, and shall cause Punjab to, take ADB's views into consideration before finalizing and implementing any such proposals.

Counterpart Funds

8. The Borrower shall, and shall cause Punjab to, ensure that the Counterpart Funds are used to meet the reform and other financing needs relating to the implementation of the Program, including allocation of 50% of such Counterpart Funds to finance conditional grants to DGs for the health sector of Punjab.

Program Monitoring and Review

9. The Borrower shall, and shall cause Punjab to, carry out review of the Program with the participation of ADB for the design of the third subprogram of the Program Cluster. The review shall take into account experiences from the implementation of the Program and changes in circumstances to the external environment. Pursuant to the review, Punjab shall submit a report to ADB recommending any revisions to the indicative reforms for the third subprogram. The Borrower acknowledges that the review described in this paragraph does not obligate ADB to provide loans for any further subprogram under the Program Cluster and that any such loans are subject to the approval of the Board of Directors of ADB.

Anticorruption

10. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Program. The Borrower agrees to cooperate, and shall cause Punjab and any and all other government offices, organizations and entities involving in implementing the Program 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.