

PROJECT AGREEMENT
(Balochistan Devolved Social Services Project)

between

ASIAN DEVELOPMENT BANK

and

THE PROVINCE OF BALOCHISTAN

DATED 24 AUGUST 2006

PROJECT AGREEMENT

PROJECT AGREEMENT dated 24 August 2006 between ASIAN DEVELOPMENT BANK ("ADB") and the PROVINCE OF BALOCHISTAN ("Balochistan").

WHEREAS

(A) by a Technical Assistance Loan Agreement of even date herewith (hereinafter called the TA Loan Agreement) between the Islamic Republic of Pakistan (the "Borrower") and ADB, ADB has agreed to make to the Borrower a loan in various currencies equivalent to three million four hundred sixty six thousand Special Drawing Rights (SDR 3,466,000) on the terms and conditions set forth in the TA Loan Agreement, but only on the condition that the proceeds of the Loan be made available to Balochistan and that Balochistan agree to undertake certain obligations towards ADB as set forth in this Project Agreement; and

(B) Balochistan, in consideration of ADB entering into the TA Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Project Agreement;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the terms defined in the TA Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

ARTICLE II

Particular Covenants

Section 2.01. (a) Balochistan shall carry out the Project with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental and devolved social services practices.

(b) In the carrying out of the Project and operation of the Project facilities, Balochistan shall perform all obligations set forth in the TA Loan Agreement to the extent that they are applicable to Balochistan.

Section 2.02. Balochistan shall make available, promptly as needed, the funds, facilities, services, equipment, and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, Balochistan shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to the TA Loan Agreement. ADB may refuse to finance a contract where goods or 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 2.04. Balochistan shall carry out the Project in accordance with plans and specifications acceptable to ADB. Balochistan shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans and specifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) Balochistan shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, Balochistan undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 2.06. Balochistan shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB and Balochistan shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) Balochistan shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the accomplishment of the purposes of the Loan.

(c) ADB and Balochistan shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, Balochistan and the Loan.

Section 2.08. (a) Balochistan shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the goods and services and other items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of Balochistan; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, Balochistan shall furnish to ADB quarterly and annual reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following review period.

(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as ADB may agree for this purpose, Balochistan shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by Balochistan of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) Balochistan shall (i) maintain separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (iii) furnish to ADB, promptly after their preparation but in any event not later than 6 months after the close of the fiscal year to which they relate, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of the TA Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language. Balochistan shall furnish to ADB such further information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) Balochistan shall enable ADB, upon ADB's request, to discuss Balochistan financial statements and its financial affairs as they relate to the Project from time to time with the auditors, appointed by Balochistan pursuant to Section 2.09(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of Balochistan unless Balochistan shall otherwise agree.

Section 2.10. Balochistan 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 2.11. (a) Balochistan shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) Balochistan shall at all times conduct its business in accordance with sound administrative, financial, environmental and devolved social services practices, and under the supervision of competent and experienced management and personnel.

(c) Balochistan shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, engineering, environmental, devolved social services, and maintenance and operational practices.

Section 2.12. Except as ADB may otherwise agree, Balochistan shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, Balochistan shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the TA Loan Agreement and this Project Agreement, and shall ensure that all goods and services financed out of such proceeds are used exclusively in the carrying out of the Project.

ARTICLE III

Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the TA Loan Agreement shall come into force and effect. ADB shall promptly notify Balochistan of such date.

Section 3.02. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the TA Loan Agreement.

ARTICLE IV

Miscellaneous

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

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

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

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

Facsimile Numbers:

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

For Balochistan

Additional Chief Secretary (Development)
Planning and Development Department
Government of Balochistan
Block 6, Civil Secretariat, Zarghoon Road
Quetta, Pakistan

Facsimile Number:

+92819202419

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement or under Section 7.01 of the TA Loan Agreement by or on behalf of Balochistan may be taken or executed by its Additional Chief Secretary (Development) or by such other person or persons as he shall so designate in writing notified to ADB.

(b) Balochistan shall furnish to ADB sufficient evidence of the authority of each person who will act under paragraph (a) of this Section, together with the authenticated specimen signature of each such person.

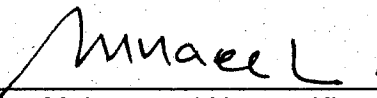
Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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.

ASIAN DEVELOPMENT BANK

By 
Haruhiko Kuroda
President

THE PROVINCE OF BALOCHISTAN

By 
Muhammad Na'eem Khan
Ambassador of the Islamic
Republic of Pakistan to the
Philippines