
LOAN NUMBER 3837-PAK

LOAN AGREEMENT
(Ordinary Operations)

(Social Protection Development Project – Additional Financing)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 11 OCTOBER 2019

PAK 45233

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 11 October 2019 between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 25 November 2013 between the Borrower and ADB ("Initial Loan Agreement"), ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources in the amount in various currencies equivalent to two hundred eighty-three million seven hundred seventy-six thousand Special Drawing Rights (SDR283,776,000) for the purposes of the project described in Schedule 1 to the Initial Loan Agreement ("Initial Project");

(B) the Borrower has applied to ADB for a loan for the purposes of financing additional activities under the Initial Project as described in Schedule 1 to this Loan Agreement ("Project");

(C) the Project will be carried out by the Benazir Income Support Program ("BISP"), and for this purpose the Borrower will make available to BISP 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 ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and BISP;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2017 ("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, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

- (a) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;

- (b) "Counterpart Funds" means the Rupee proceeds accruing to the Borrower and generated from the proceeds of the Loan;
- (c) "Eligible Families" means families that are selected for Output 1 of the Project based on; (i) the BISP nationwide poverty scored survey; and (ii) their female head of family being issued with the Borrower's computerized national identity card;
- (d) "GAP" means the gender action plan for the Project;
- (e) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (f) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (g) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (h) "Output" means each of Outputs 1 to 3 of the Project as described in paragraph 2 of Schedule 1 to this Loan Agreement;
- (i) "PAM" means the project administration manual for the Project dated 19 August 2019 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (j) "Procurement Plan" means the procurement plan for the Project dated 19 August 2019 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (k) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (l) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (m) "Project Executing Agency" for the purpose of, and within the meaning of, the Loan Regulations means BISP or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (n) "Rupees" or the sign "Rs." means Pakistan rupees, the currency of the Borrower;

- (o) "Services" means Consulting Services and Nonconsulting Services;
- (p) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (q) "UCT" means unconditional cash transfer.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred million Dollars (\$200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

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

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

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

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

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

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make the proceeds of the Loan, in Rupees equivalent, available to BISP upon terms and conditions satisfactory to ADB and shall cause BISP 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.

(b) The Borrower shall cause the proceeds of the Loan to be applied exclusively 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 proceeds of the Loan shall be allocated and withdrawn 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, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2023 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 4 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Services, and any relevant records and documents.

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable BISP 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

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Delegation of Authority

Section 6.01. The Borrower hereby designates BISP as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.04 of this Loan Agreement and under Sections 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by BISP pursuant to the authority conferred under Section 6.01 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 6.03. The authority conferred on BISP under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VII

Miscellaneous

Section 7.01. The Secretary, Economic Affairs Division, Ministry of Finance, Revenue, and Economic Affairs of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

The Secretary
Economic Affairs Division
Ministry of Finance, Revenue, and Economic Affairs
Islamabad, Pakistan

Facsimile Numbers:

(9251) 910-4016.

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

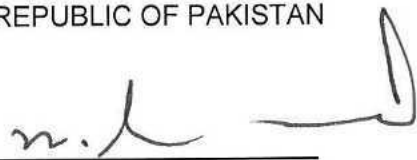
Facsimile Numbers:

(632) 8 636-2444
(632) 8 636-2424.

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



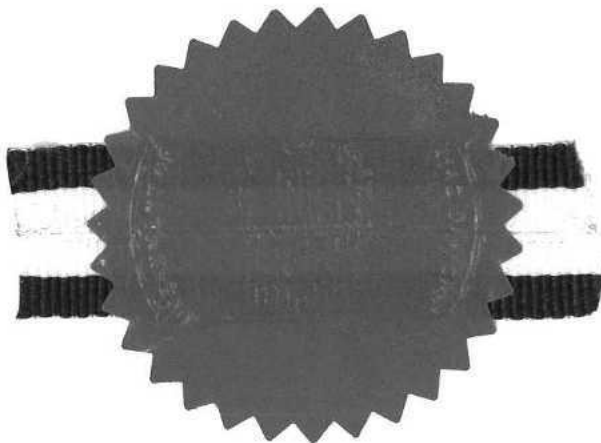
NOOR AHMED
Secretary
Economic Affairs Division

ASIAN DEVELOPMENT BANK

By



XIAOHONG YANG
Country Director
Pakistan Resident Mission



SCHEDULE 1**Description of the Project**

1. The objective of the Project is to increase resilience of BISP female beneficiaries and their families.

2. The Project shall comprise:

Output 1: Continue UCTs

- (a) Continuing UCT payments to eligible BISP beneficiaries (identified under the Initial Project and the new eligible BISP beneficiaries identified in the 2019/2020 national socio-economic registry update) from April 2019 for six quarterly instalments, which payments will thereafter continue to be paid from the government of the Borrower's own resources.

Output 2: Institutional strengthening - Addressing Error, Fraud and Corruption

- (b) Supporting further improvements in financial management and control systems to support the UCTs.

Output 3: Institutional strengthening - Policy research

- (c) Strengthening policy research functions of BISP to support the government of the Borrower's "Ehsaas" program (as promulgated under the Prime Minister's Policy Statement of 27 March 2019 in relation to national social protection and poverty reduction).

3. The Project is expected to be completed by 30 September 2022.

SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 January 2025	1.750000
1 July 2025	1.750000
1 January 2026	2.000000
1 July 2026	2.000000
1 January 2027	2.000000
1 July 2027	2.000000
1 January 2028	2.000000
1 July 2028	2.000000
1 January 2029	2.500000
1 July 2029	2.500000
1 January 2030	2.500000
1 July 2030	2.500000
1 January 2031	2.500000
1 July 2031	2.500000
1 January 2032	2.500000
1 July 2032	2.500000
1 January 2033	2.500000
1 July 2033	2.500000
1 January 2034	2.500000
1 July 2034	2.500000
1 January 2035	2.500000
1 July 2035	2.500000
1 January 2036	2.500000
1 July 2036	2.500000
1 January 2037	2.500000
1 July 2037	2.500000
1 January 2038	2.500000
1 July 2038	2.500000
1 January 2039	2.500000
1 July 2039	2.500000
1 January 2040	2.500000
1 July 2040	3.000000
1 January 2041	3.000000
1 July 2041	3.000000

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 January 2042	3.000000
1 July 2042	3.000000
1 January 2043	3.000000
1 July 2043	3.000000
1 January 2044	3.000000
1 July 2044	3.000000
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

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

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category "Interest and Commitment Charges" is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

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 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 allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

6. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Project (to cover the financing of UCT payments to Eligible Families for at least 2 quarters from April 2019 to September 2019) before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

7. Notwithstanding any other provisions of this Loan Agreement, no withdrawals shall be made from the Loan Account until BISP has appointed one additional qualified deputy director for the procurement unit of BISP.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Cash Payments (UCT for Eligible Families)**	166,000,000	100% of total expenditure claimed*
2	Consulting Services**	5,700,000	100% of total expenditure claimed*
3	Project Management Support**	100,000	100% of total expenditure claimed*
4	Equipment**	200,000	100% of total expenditure claimed*
5	Interest and Commitment Charges	11,300,000	100% of amounts due
6	Unallocated	16,700,000	
	TOTAL	200,000,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

** Subject to the condition for withdrawals in paragraph 7 of Schedule 3.

SCHEDULE 4**Execution of Project; Environmental, Social, Financial and Other Matters**Implementation Arrangements

1. The Borrower and BISP shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Procurement

2. The Borrower and BISP shall ensure that:
- (a) the procurement of Goods and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
 - (b) Goods and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
 - (c) (i) all Goods procured and Services obtained (including 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; and (ii) all contracts for the procurement of Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

Use of Counterpart Funds

3. Without limiting the detailed arrangements described in the PAM, the Borrower shall ensure that all government contributions are provided as and when due to BISP for efficient Project implementation. Such government contributions shall include funds for the payments to banks for cash transfer processing, exemptions of taxes and duties for goods and services and financing charges.

4. The Borrower shall cause BISP to ensure that Counterpart Funds of \$166,000,000 equivalent are only used of Output 1 of the Project. This is provided that (a) the Borrower ensures that BISP continues the cash grants to the Eligible Families after such cash grants are financed under Output 1 of the Project in accordance with paragraph 3 of Schedule 5 to the Initial Loan Agreement; and (b) the Borrower and BISP make available in a timely manner funds from their budgetary allocations for such grants. In the event there is any change

to the amount of the quarterly payments, the revised amount and frequency of payments shall be agreed upon between the Borrower and ADB.

Eligible Families

5. The Borrower shall ensure that BISP uses the cut-off scores of the nationwide poverty scorecard survey held on 2009/2010, 2016/2017 and 2019/2020 for identifying and recertifying, respectively, potential Eligible Families.

Financial Management

6. The Borrower shall cause BISP to ensure that the financial management action plan set forth in the PAM and the BISP financial manual are fully and effectively implemented in accordance with its terms.

7. The Borrower shall cause BISP to maintain the audit committee of the BISP Board in accordance with its terms of reference for the duration of the Project.

8. The Borrower shall cause BISP to submit its annual audited financial statements for BISP's financial year ended 30 June 2019 to ADB by 31 December 2019.

Safeguards

9. The Borrower shall ensure, and cause BISP to ensure, that the Project does not have any environmental, indigenous peoples or involuntary resettlement impacts, all within the meaning of SPS. In the event that the Project does have any such impact, the Borrower shall take, and cause BISP to take, all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with SPS. If there is any discrepancy between SPS and the Borrower's laws and regulations, SPS shall prevail.

Prohibited List of Investments

10. The Borrower shall cause BISP to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Gender and Development

11. The Borrower shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; and (c) adequate resources are allocated for implementation of the GAP.

Governance and Anticorruption

12. The Borrower and BISP shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice

Schedule 4

relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

13. The Borrower and BISP shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of BISP and all contractors, suppliers, consultants, and other service providers as they relate to the Project.