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LOAN NUMBER 3837-PAK

PROJECT AGREEMENT

(Social Protection Development Project – Additional Financing)

between

ASIAN DEVELOPMENT BANK

and

BENAZIR INCOME SUPPORT PROGRAM

DATED 11 OCTOBER 2019

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PAK 45233

## **PROJECT AGREEMENT**

PROJECT AGREEMENT dated 11 October 2019 between ASIAN DEVELOPMENT BANK ("ADB") and BENAZIR INCOME SUPPORT PROGRAM ("BISP").

### **WHEREAS**

(A) by a Loan Agreement of even date herewith between the Islamic Republic of Pakistan ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of two hundred million Dollars (\$200,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loan be made available to BISP and that BISP agrees to undertake certain obligations towards ADB set forth herein; and

(B) BISP, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

## **ARTICLE I**

### **Definitions**

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the 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) BISP shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

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

Section 2.02. BISP shall make available, promptly as needed, the funds, facilities, services and other resources as 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, BISP 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, BISP shall procure all items of expenditures to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where any such item has 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. (a) BISP shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, BISP undertakes to insure, or cause to be insured, the Goods to be imported for the Project 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 2.05. BISP shall maintain, or cause to be maintained, records and accounts adequate to identify the 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 2.06. (a) ADB and BISP shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) BISP 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 BISP 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, BISP and the Loan.

Section 2.07. (a) BISP 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 items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of BISP; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, BISP shall furnish to ADB periodic 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 period.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, BISP 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 BISP of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.08. (a) BISP shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) 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.

(c) In addition to annual audited financial statements referred to in subsection (a) hereinabove, BISP shall (i) provide its annual financial statements prepared in accordance with financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; and (iii) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and auditors' opinion(s), all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(d) BISP shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and BISP and its financial affairs where they relate to the Project with the auditors appointed by BISP pursuant to subsections (a)(iii) and (c)(ii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of BISP, unless BISP shall otherwise agree.

Section 2.09. BISP shall enable ADB's representatives to inspect the Project, the Goods and any relevant records and documents.

Section 2.10. (a) BISP 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 operations.

(b) BISP shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.

(c) BISP shall at all times operate and maintain its facilities, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 2.11. Except as ADB may otherwise agree, BISP 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 2.12. Except as ADB may otherwise agree, BISP shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.13. BISP shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents (including the documents establishing BISP and regulations applicable to BISP), which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. BISP shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

### **ARTICLE III**

#### **Effective Date; Termination**

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

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the 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, mail or facsimile 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  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

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

For BISP

Benazir Income Support Program  
F Block  
Pakistan Secretariat  
Islamabad, Pakistan

Facsimile Number:

+92 51 9215323.

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 6.01 of the Loan Agreement by or on behalf of BISP may be taken or executed by its Secretary or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) BISP shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, 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 as of the day and year first above written, and to be delivered at the principal office of ADB.

ASIAN DEVELOPMENT BANK

By



XIAOHONG YANG  
Country Director  
Pakistan Resident Mission

BENAZIR INCOME SUPPORT  
PROGRAM

By



ALI RAZA BHUTTA  
Secretary





## **SCHEDULE**

### **Execution of Project; Environmental, Social, Financial and Other Matters**

#### Implementation Arrangements

1. 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 the Loan Agreement and this Project Agreement, the provisions of the Loan Agreement and this Project Agreement shall prevail.

#### Use of Counterpart Funds

2. BISP shall ensure that Counterpart Funds of \$166,000,000 equivalent are only used for Output 1 of the Project. BISP shall (a) continue 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) 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

3. BISP shall use 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

4. BISP shall 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.

5. BISP shall maintain the audit committee of the BISP Board in accordance with its terms of reference for the duration of the Project.

6. BISP shall submit its annual audited financial statements for its financial year ended 30 June 2019 to ADB by 31 December 2019.

#### Safeguards

7. BISP shall 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, BISP shall 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

8. BISP shall 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

9. BISP 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

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

11. 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.