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LOAN NUMBER 3602-PAK(COL)

LOAN AGREEMENT  
(Ordinary Operations [Concessional])  
(Khyber Pakhtunkhwa Provincial Roads Improvement Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 14.03.18

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PAK 47360

**LOAN AGREEMENT**  
**(Ordinary Operations [Concessional])**

14.03.18

LOAN AGREEMENT dated 14.03.18 between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

**WHEREAS**

(A) the Borrower has applied to ADB for a concessional loan and a separate loan both from ADB's ordinary capital resources for the purposes of the Project described in Schedule 1 to the loan agreement referred to in recital (B);

(B) by a loan agreement between the Borrower and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to make to the Borrower a loan from ADB's ordinary capital resources in the amount of one hundred twenty one million five hundred thousand Dollars (\$121,500,000) ("Ordinary Operations Loan") for the purposes of the Project;

(C) the Project will be carried out by Khyber Pakhtunkhwa and PKHA and, for this purpose, the Borrower will make available to Khyber Pakhtunkhwa, and in turn Khyber Pakhtunkhwa will make available to PKHA, the proceeds of the Ordinary Operations Loan and the concessional loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement between ADB, Khyber Pakhtunkhwa and PKHA;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) 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, subject, however, to the following modifications:

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

"Project Agreement" means the Project Agreement between ADB, Khyber Pakhtunkhwa and PKHA, as such agreement may be amended from time to time; and such project agreement includes all schedules to the Project Agreement;

(b) The term "Project Executing Agency" appearing in Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations

shall be substituted by the term "Khyber Pakhtunkhwa and PKHA, both individually and collectively".

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations and in the Ordinary Operations Loan Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires. The additional terms "Ordinary Operations Loan Agreement" and "Ordinary Operations Loan" used in this Loan Agreement have the meanings given to them in recital (B).

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of eighteen million five hundred thousand Dollars (\$18,500,000).

(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 (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

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 1 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount 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 PKHA, through Khyber Pakhtunkhwa, upon terms and conditions satisfactory to ADB and shall cause Khyber Pakhtunkhwa and PKHA 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 proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 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 the Ordinary Operations Loan Agreement.

Section 3.04. 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 Works and Consulting 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 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 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 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 the Ordinary Operations Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Maintenance Works, 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 Khyber Pakhtunkhwa and PKHA to perform their 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. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Ordinary Operations Loan Agreement has been duly authorized, 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) have been fulfilled.

Section 5.02. The following is specified as an additional matter, for the purposes of Section 9.02(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, executed and delivered on behalf of the Borrower and is legally binding on the Borrower in accordance with its terms.

Section 5.03. A date 90 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 Finance, Revenue and Economic Affairs 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

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

Facsimile Number:

(92-51) 910 4016

For ADB

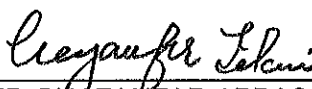
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

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   
SYED GHAZANFAR ABBAS JILANI  
Additional Secretary (In charge)  
Economic Affairs Division

ASIAN DEVELOPMENT BANK

By   
XIAOHONG YANG  
Country Director  
Pakistan Resident Mission

**SCHEDULE 1****Amortization Schedule**

Payment Due	Payment of Principal (expressed in Dollar)*
1 January 2023	462,500
1 July 2023	462,500
1 January 2024	462,500
1 July 2024	462,500
1 January 2025	462,500
1 July 2025	462,500
1 January 2026	462,500
1 July 2026	462,500
1 January 2027	462,500
1 July 2027	462,500
1 January 2028	462,500
1 July 2028	462,500
1 January 2029	462,500
1 July 2029	462,500
1 January 2030	462,500
1 July 2030	462,500
1 January 2031	462,500
1 July 2031	462,500
1 January 2032	462,500
1 July 2032	462,500
1 January 2033	462,500
1 July 2033	462,500
1 January 2034	462,500
1 July 2034	462,500
1 January 2035	462,500
1 July 2035	462,500
1 January 2036	462,500
1 July 2036	462,500
1 January 2037	462,500
1 July 2037	462,500
1 January 2038	462,500
1 July 2038	462,500
1 January 2039	462,500
1 July 2039	462,500
1 January 2040	462,500
1 July 2040	462,500
1 January 2041	462,500
1 July 2041	462,500
1 January 2042	462,500
1 July 2042	462,500



Schedule 1

Total	18,500,000
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\* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

## SCHEDULE 2

### 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 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 Charge

3. The amount allocated to the Category "Interest Charge" is for financing the 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 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 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 before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, in connection with the road rehabilitation works, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Road Rehabilitation Works*	17,500,000	91% of total expenditure claimed
2	Interest Charge	1,000,000	100% of amounts due
	<b>TOTAL</b>	<b>18,500,000</b>	

\* Financing allocated to this item under this Loan Agreement shall be utilized first at 100% of every claim until such financing has been disbursed in full. Thereafter, financing allocated to road rehabilitation works under the Ordinary Operations Loan Agreement shall be utilized at 100% of every claim.