
LOAN NUMBER 4160-PAK
GRANT NUMBER 0816-PAK (SF)

PROJECT AGREEMENT
(Khyber Pakhtunkhwa Cities Improvement Project)

between

ASIAN DEVELOPMENT BANK

and

KHYBER PAKHTUNKHWA PROVINCE

DATED 15 December 2021

PAK 51036

PROJECT AGREEMENT

PROJECT AGREEMENT dated 15 Decembes 2021 between ASIAN DEVELOPMENT BANK ("ADB") and KHYBER PAKHTUNKHWA PROVINCE ("Khyber Pakhtunkhwa").

WHEREAS

(A) by a Loan Agreement of even date herewith between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan in an amount not exceeding three hundred twenty nine million five hundred seventy-five thousand Euro (€329,575,000) 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 the Government of Khyber Pakhtunkhwa and that the Government of Khyber Pakhtunkhwa agrees to undertake certain obligations towards ADB set forth herein;

(B) by a Grant Agreement of even date herewith between ISLAMIC REPUBLIC OF PAKISTAN and ADB, ADB has agreed to make to the Borrower a grant in an amount not exceeding five million Dollars (\$5,000,000) on the terms and conditions set forth in the Grant Agreement, but only on the condition that the proceeds of the grant be made available to the Government of Khyber Pakhtunkhwa and that the Government of Khyber Pakhtunkhwa agrees to undertake certain obligations towards ADB set forth herein; and

(C) The Government of Khyber Pakhtunkhwa, in consideration of ADB entering into the Loan Agreement and Grant 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) Khyber Pakhtunkhwa 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, Khyber Pakhtunkhwa shall perform all obligations set forth in the Loan Agreement and the Grant Agreement to the extent that they are applicable to Khyber Pakhtunkhwa.

Section 2.02. Khyber Pakhtunkhwa shall make available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources as required, in addition to the proceeds of the Loan and the Grant, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, Khyber Pakhtunkhwa 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, Khyber Pakhtunkhwa shall procure all items of expenditures to be financed out of the proceeds of the Loan and the Grant 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. Khyber Pakhtunkhwa shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Khyber Pakhtunkhwa shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) Khyber Pakhtunkhwa 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, Khyber Pakhtunkhwa 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 2.06. Khyber Pakhtunkhwa 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 and the Grant, 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 Khyber Pakhtunkhwa shall cooperate fully to ensure that the purposes of the Loan and the Grant will be accomplished.

(b) Khyber Pakhtunkhwa 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 and the Grant.

(c) ADB and Khyber Pakhtunkhwa 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, Khyber Pakhtunkhwa, the Loan and the Grant.

Section 2.08. (a) Khyber Pakhtunkhwa shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan, the Grant 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 Khyber Pakhtunkhwa; and (v) any other matters relating to the purposes of the Loan and the Grant.

(b) Without limiting the generality of the foregoing, Khyber Pakhtunkhwa 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, Khyber Pakhtunkhwa 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 Khyber Pakhtunkhwa of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan and the Grant.

Section 2.09. (a) Khyber Pakhtunkhwa 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 and Grant 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 the annual audited financial statements referred to in subsection (a) hereinabove, Khyber Pakhtunkhwa shall (i) provide annual entity financial statements of the Implementing Agencies, prepared in accordance with financial reporting standards acceptable to ADB; (ii) ensure that the financial statements of the Implementing Agencies are audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iii) as part of each such audit, have the auditors prepare the auditors' opinion(s) on the financial statements and compliance with the financial covenants of the Loan Agreement; and (iv)

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) Khyber Pakhtunkhwa shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and Khyber Pakhtunkhwa and its financial affairs where they relate to the Project with the auditors appointed by Khyber Pakhtunkhwa pursuant to subsection (a)(iii) 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 Khyber Pakhtunkhwa, unless Khyber Pakhtunkhwa shall otherwise agree.

Section 2.10. Khyber Pakhtunkhwa shall enable ADB's representatives to inspect the Project, the Goods, Works and Services and any relevant records and documents.

Section 2.11. (a) Khyber Pakhtunkhwa shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry out 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) Khyber Pakhtunkhwa 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) Khyber Pakhtunkhwa 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 applicable technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, Khyber Pakhtunkhwa 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, Khyber Pakhtunkhwa shall apply the proceeds of the Loan and the Grant to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement, Grant 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 2.14. Khyber Pakhtunkhwa shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its policy documents, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. Khyber Pakhtunkhwa 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 and Grant Agreement comes into force and effect. ADB shall promptly notify Khyber Pakhtunkhwa 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 or the Grant 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) 8636-2444
(632) 8636-2301

For Khyber Pakhtunkhwa

Secretary Local Government Elections & Rural Development Department
Government of Khyber Pakhtunkhwa
Civil Secretariat, Peshawar
Pakistan

Facsimile Number:

091 9210323.


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 Loan Agreement or under Section 8.01 of the Grant Agreement by or on behalf of Khyber Pakhtunkhwa may be taken or executed by the Secretary to the Government of Khyber Pakhtunkhwa or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) Khyber Pakhtunkhwa 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  _____
YONG YE
Country Director
Pakistan Resident Mission

KHYBER PAKHTUNKHWA PROVINCE

By  _____
SHAKEEL AHMAD MIAN
Secretary, Local Government Elections &
Rural Development Department