
LOAN NUMBER 4235-PAK (COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(Building Resilience with Active Countercyclical Expenditures Program)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 24- OCT- 2022

PAK 56148

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 24 OCTOBER 2022 between
ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 14 September 2022 ("Policy Letter"), setting forth certain objectives, policies and actions as included in the Borrower's countercyclical development expenditure program ("CDEP"), which contains measures that directly address adverse impacts of exogenous shocks, as described in Schedule 1 to this Loan Agreement ("Program");

(B) by a loan agreement of even date herewith between the Borrower and ADB ("OCR Loan Agreement"), ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources an amount of one billion two hundred and fifty million Dollars (\$1,250,000,000) ("OCR Loan") for the purposes of the Program;

(C) the Borrower has applied to ADB for a concessional loan for the purposes of the Program; 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;

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 2022 ("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(v) is deleted and the following is substituted therefor:

"Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower;

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(x) is deleted and the following is substituted therefor:

"Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement;

- (d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".
- (e) Section 5.01(b) is deleted.

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) "Counterpart Funds" means the local currency generated from the Loan proceeds under the Program and referred to in paragraph 4 of Schedule 4 to this Loan Agreement;
- (b) "Deposit Account" means the account referred to in paragraph 3 of Schedule 3 to this Loan Agreement;
- (c) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (d) "MRF" means the Borrower's monitoring and reporting framework which is anchored on the CDEP with explicit links to targets identified in the Program's design and monitoring framework, as agreed between the Borrower and ADB; and
- (e) "Program Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Ministry of Finance of the Borrower or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program.

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 and fifty million Dollars (\$250,000,000).

(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 (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 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 15 April and 15 October 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 2 to this Loan Agreement.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be 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. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 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 Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. As part of the reports and information referred to in Sections 6.01 and 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Counterpart Funds and the use thereof; and (b) the implementation of the Program, including the accomplishment of the objectives, policies and actions set out in the Policy Letter.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the OCR Loan shall have become liable for suspension or cancellation.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. 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 OCR Loan Agreement shall have been duly executed and delivered on behalf of the Borrower and all conditions required for its effectiveness other than the condition requiring effectiveness of this Loan Agreement, shall have been fulfilled.

Section 6.02. 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 VII

Miscellaneous

Section 7.01. The Secretary of the Ministry of Economic Affairs of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Economic Affairs
Government of Pakistan
Islamabad, Pakistan

Facsimile Number:

(0092 51) 910 4016

For ADB

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

Facsimile Numbers:

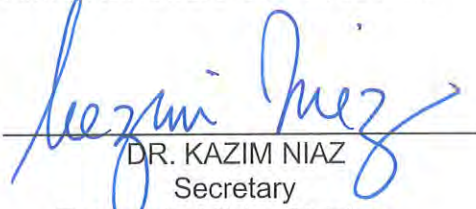
(632) 8636-2444

(632) 8636-2424.

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



DR. KAZIM NIAZ
Secretary
Economic Affairs Division
Ministry of Economic Affairs

ASIAN DEVELOPMENT BANK

By



YONG YE
Country Director
Pakistan Resident Mission

SCHEDULE 1**Description of the Program**

1. The principal objective of the Program is to mitigate the adverse socioeconomic effects of the economic crisis and enhance the resilience of poor and vulnerable groups to socioeconomic shocks. The scope of the Program includes implementation of (a) increased social protection measures; (b) increased food security measures; and (c) enhanced support for business. The Program is described in more detail in the Policy Letter.
2. The Program is expected to be completed by 30 June 2023.

SCHEDULE 2**Amortization Schedule**

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollar)
15 April 2028	6,250,000
15 October 2028	6,250,000
15 April 2029	6,250,000
15 October 2029	6,250,000
15 April 2030	6,250,000
15 October 2030	6,250,000
15 April 2031	6,250,000
15 October 2031	6,250,000
15 April 2032	6,250,000
15 October 2032	6,250,000
15 April 2033	6,250,000
15 October 2033	6,250,000
15 April 2034	6,250,000
15 October 2034	6,250,000
15 April 2035	6,250,000
15 October 2035	6,250,000
15 April 2036	6,250,000
15 October 2036	6,250,000
15 April 2037	6,250,000
15 October 2037	6,250,000
15 April 2038	6,250,000
15 October 2038	6,250,000
15 April 2039	6,250,000
15 October 2039	6,250,000
15 April 2040	6,250,000
15 October 2040	6,250,000
15 April 2041	6,250,000
15 October 2041	6,250,000
15 April 2042	6,250,000
15 October 2042	6,250,000
15 April 2043	6,250,000
15 October 2043	6,250,000
15 April 2044	6,250,000
15 October 2044	6,250,000
15 April 2045	6,250,000
15 October 2045	6,250,000
15 April 2046	6,250,000

15 October 2046	6,250,000
15 April 2047	6,250,000
15 October 2047	6,250,000
Total	250,000,000

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3**Withdrawal of Loan Proceeds**

1. Except as set out in this Schedule or as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
2. An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.
3. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (Deposit Account) at SBP into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with the applicable regulations and procedures of the Borrower.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.
4. No Loan proceeds shall be withdrawn to finance any item specified in the Attachment to this Schedule.

Negative List

No withdrawals of Loan proceeds will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (table) or any successor groups or sub-groups under future revisions to the United Nations Standard International Trade Classification, as designated by ADB by notice to the Borrower:

Table: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations Standard International Trade Classification, Revision 3.

- (ii) expenditures for goods supplied under a contract that any national or international financial institution or agency has financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iii) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (iv) expenditures for narcotics;
- (v) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vi) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

SCHEDULE 4

Program Implementation and Other Matters

Implementation Arrangements

1. The Borrower, through the Program Executing Agency, shall be responsible for the implementation of the Program, including monitoring or and reporting on the implementation of the Program.

Policy Dialogue

2. The Borrower, through the Program Executing Agency, shall (a) promptly inform ADB about any issues and constraints encountered during the implementation of the Program; and (b) proactively engage with ADB to adopt appropriate measures to address and mitigate such issues and constraints.

3. The Borrower, through the Program Executing Agency, shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower, through the Program Executing Agency, shall take into account ADB's views before finalizing and implementing any such proposal.

Use of Counterpart Funds

4. The Borrower shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.

Governance and Anticorruption

5. The Borrower and the Program Executing Agency 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 Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

Monitoring, Review and Reporting

6. The Borrower, through the Program Executing Agency, shall ensure that a structured platform for policy dialogue with key stakeholders and implementation support is in place on the CDEP to (a) engage with such stakeholders in the design and implementation of the CDEP; and (b) respond to implementation bottlenecks, if any.

7. The Borrower shall (a) monitor, evaluate and provide quarterly reports to ADB in accordance with the MRF; and (b) ensure that adequate budgetary and human resources are made available to fully implement the MRF.

8. The Borrower shall, in particular, monitor, evaluate and report to ADB on areas including (a) developments in its macroeconomic and fiscal conditions, including the CDEP; (b) impacts of its CDEP on poor and vulnerable groups, disaggregated by sex, including the number

of beneficiaries of cash transfer schemes and other social assistance programs; and (c) implementation of its crisis response plan.

9. Within six months of the Loan Closing Date, the Borrower shall submit to ADB the Program completion report.