
LOAN NUMBER 3700-PAK(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(Balochistan Water Resources Development Sector Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED

5 January 2019

PAK 48098

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 5 January 2019 between ISLAMIC
REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan, and to the Japan Fund for Poverty Reduction ("JFPR") and the High-Level Technology Fund ("HLTF") for grants to be administered by ADB, for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) by a grant agreement between the Borrower and ADB ("JFPR Grant Agreement"), ADB has agreed to make the proceeds of a grant from JFPR ("JFPR Grant") in the amount of three million Dollars (\$3,000,000) available to the Borrower for the purposes of financing expenditures under Part B of the Project;

(C) by a grant agreement between the Borrower and ADB ("HLTF Grant Agreement" and, together with the JFPR Grant Agreement, "Grant Agreements"), ADB has agreed to make the proceeds of a grant from HLTF ("HLTF Grant" and, together with the JFPR Grant, "Grants") in the amount of two million Dollars (\$2,000,000) available to the Borrower for the purposes of financing expenditures under Part C of the Project;

(D) the Project will be carried out by Balochistan, and, for this purpose, the Borrower will make available to Balochistan the proceeds of the Grants and the loan provided for herein upon terms and conditions satisfactory to ADB; and

(E) 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 and Balochistan;

NOW THEREFORE the parties hereto 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

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) "ACD" means the Agriculture and Cooperatives Department of Balochistan, or any successor thereto acceptable to ADB;
- (b) "Balochistan" means the Province of Balochistan, or any successor thereto acceptable to ADB;
- (c) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (d) "Consulting Services" means the services to be financed out of the proceeds of the Loan and the Grants as described in paragraph 3 of Schedule 1 to this Loan Agreement;
- (e) "EARF" or "Environmental Assessment and Review Framework" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (f) "EIA" or "Environmental Impact Assessment" means the environmental impact assessment for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;
- (g) "EMP" or "Environmental Management Plan" means the environmental management plan for a Subproject, including any update thereto, incorporated in the EIA or IEE, as the case may be, for the Subproject;
- (h) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable), of the SPS;
- (i) "IEE" or "Initial Environmental Examination" means the initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;
- (j) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable), of the SPS;
- (k) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;
- (l) "Goods" means equipment and materials to be financed out of the proceeds of the Loan and the Grants, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;
- (m) "ID" means the Irrigation Department of Balochistan, or any successor thereto acceptable to ADB;

- (n) "LARF" or "Land Acquisition and Resettlement Framework" means the land acquisition and resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (o) "LARP" or "Land Acquisition and Resettlement Plan" means the land acquisition and resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the LARF and cleared by ADB;
- (p) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (q) "PAM" means the project administration manual for the Project dated 19 July 2018 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;
- (r) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (s) "Procurement Plan" means the procurement plan for the Project dated 19 July 2018 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;
- (t) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations and the Grant Regulations (as this term is defined in the Grant Agreements) means Balochistan, acting through ID, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (u) "Project and Subproject facilities" means the facilities to be constructed, improved, upgraded, rehabilitated, established, piloted, protected or provided under the Project;
- (v) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with the implementation of, and compliance with, the EMPs and the LARPs (as applicable), including any corrective and preventative actions;
- (w) "SPS" or "Safeguard Policy Statement" means ADB's Safeguard Policy Statement (2009);
- (x) "Subproject" means a subproject under the Project that meets the subproject eligibility criteria set out in the PAM; and
- (y) "Works" means construction or civil works to be financed out of the proceeds of the Loan and the Grants, including services such as drilling or mapping, and project related services that are provided as part of a

single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million Dollars (\$100,000,000).

(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 1 April and 1 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.

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 Balochistan upon terms and conditions satisfactory to ADB and shall cause Balochistan to apply such proceeds 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 8.02 of the Loan Regulations shall be 30 June 2024 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 and Subproject facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 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 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 Balochistan 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

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for the 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:

- (a) the Borrower shall have failed to perform any of its obligations under the JFPR Grant Agreement; and
- (b) the Borrower shall have failed to perform any of its obligations under the HLTG Grant Agreement.

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

ARTICLE VI**Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

- (a) the JFPR Grant 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 or the HLTF Grant Agreement) have been fulfilled; and
- (b) the HLTF Grant 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 or the JFPR Grant Agreement) have been fulfilled.

Section 6.02. The following are specified as additional matters, 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:

- (a) that the JFPR Grant 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; and
- (b) that the HLTF Grant 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 6.03. 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 9.04 of the Loan Regulations.

ARTICLE VII**Delegation of Authority**

Section 7.01. The Borrower hereby designates Balochistan 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 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by Balochistan pursuant to the authority conferred under Section 7.01 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 7.03. The authority conferred on Balochistan under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VIII

Miscellaneous

Section 8.01. 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 8.02. 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:

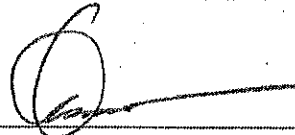
(632) 636-2444
(632) 636-2424.

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 
Noor Ahmed
Secretary

ASIAN DEVELOPMENT BANK

By 
XIAOHONG YANG
COUNTRY DIRECTOR

SCHEDULE 1**Description of the Project**

1. The objective of the Project is increased agricultural productivity in the Zhob and Mula river basins in the Province of Balochistan.

2. The Project shall comprise:

Part A

- (a) the construction and rehabilitation of irrigation infrastructure and watershed protection, including the construction, upgrade and rehabilitation of the Siri Toi Dam with a storage of approximately 36,000,000 cubic meters including a spillway and water intake; weirs and infiltration galleries; approximately 276 kilometers of irrigation network; infrastructure to reduce flood risks to irrigation canals and the command area; facilities to increase women's access to water for domestic use; and watershed protection for approximately 4,145 hectares;
- (b) the establishment and improvement of command areas, including the development of approximately 16,592 hectares of command area (including approximately 1,839 hectares for rainwater harvesting (*khuskaba*) farming); and
- (c) the strengthening of institutional capacity, including the provision of training to ID and ACD on project management, financial management, procurement, disbursement, gender and social and environmental safeguards, and the development of infrastructure for improved project management and training;

Part B

- (d) further to the establishment and improvement of command areas, the pilot testing of approximately 130 hectares of high-value agriculture in the Project area; and

Part C

- (e) further to the strengthening of institutional capacity, the procurement of hydrometeorological equipment to strengthen information collection and water use monitoring.

Part A shall be financed by ADB; Part B shall be financed by JFPR; and Part C shall be financed by HLTF, all in accordance with the terms and conditions of this Loan Agreement, the JFPR Grant Agreement, and the HLTF Grant Agreement.

Schedule 1

3. The Project shall include the provision of consulting services for detailed engineering design, construction supervision, and implementation support, including the provision of training.
4. The Project is expected to be completed by 31 December 2023.

SCHEDULE 2

Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> (Expressed in Dollar*)
1 October 2023	2,500,000
1 April 2024	2,500,000
1 October 2024	2,500,000
1 April 2025	2,500,000
1 October 2025	2,500,000
1 April 2026	2,500,000
1 October 2026	2,500,000
1 April 2027	2,500,000
1 October 2027	2,500,000
1 April 2028	2,500,000
1 October 2028	2,500,000
1 April 2029	2,500,000
1 October 2029	2,500,000
1 April 2030	2,500,000
1 October 2030	2,500,000
1 April 2031	2,500,000
1 October 2031	2,500,000
1 April 2032	2,500,000
1 October 2032	2,500,000
1 April 2033	2,500,000
1 October 2033	2,500,000
1 April 2034	2,500,000
1 October 2034	2,500,000
1 April 2035	2,500,000
1 October 2035	2,500,000
1 April 2036	2,500,000
1 October 2036	2,500,000
1 April 2037	2,500,000
1 October 2037	2,500,000
1 April 2038	2,500,000
1 October 2038	2,500,000
1 April 2039	2,500,000
1 October 2039	2,500,000
1 April 2040	2,500,000
1 October 2040	2,500,000
1 April 2041	2,500,000
1 October 2041	2,500,000
1 April 2042	2,500,000
1 October 2042	2,500,000
1 April 2043	2,500,000

Total	100,000,000
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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 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 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 Consulting Services for detailed design, construction supervision and implementation support to the Project; Goods and Works; and provision of training, 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 (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Civil Works	88,350,000	87.5% of total expenditure claimed
2	Goods	1,150,000	83% of total expenditure claimed
3	Consulting Services and Training	6,000,000	83% of total expenditure claimed
4	Recurrent Cost - Project Management	1,280,000	100% of total expenditure claimed
5	Interest Charge	3,220,000	100% of amounts due
	TOTAL	100,000,000	

SCHEDULE 4**Procurement of Goods, Works and Consulting Services**General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
3. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Eligible Source of Procurement of Civil Works, Goods and Consulting Services

4. Civil Works, Goods and Consulting Services may also be procured under Parts A and C of the Project from non-member countries of ADB.

Goods and Works

5. Goods and Works shall be procured on the basis of the procurement methods set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding;
 - (c) Shopping; and
 - (d) Community Participation in Procurement.

National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Community Participation in Procurement

7. The Borrower may use community participation in procurement for Works contracts for command area development, watershed management, farmers managed small private irrigation systems and farm irrigation systems improvement, and high value agriculture as may be provided in, and in accordance with the agreed procedures set out in, the Procurement Plan.

Conditions for Award of Contract

8. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until Balochistan has:

- (a) obtained the final approval of the EIA or IEE, as the case may be, from the relevant environment authority of the Borrower; and
- (b) incorporated the relevant provisions from the EMP into the Works contract.

9. The Borrower shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the Borrower has prepared and submitted to ADB the final LARP for such Subproject based on the Subproject's detailed design and obtained ADB's clearance of such LARP.

Consulting Services

10. The Borrower shall apply Quality- and Cost-Based Selection for Consulting Services.

11. The Borrower shall recruit the individual consultants for the Siri Toi Dam panel of experts in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

12. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation 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.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

13. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

14. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

15. In the case of a contract for Goods or Works, which is subject to ADB's prior review, the Borrower shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:

- (a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Loan Closing Date or the Grant Closing Date (as indicated in the Grant Agreements); and
- (b) increases in aggregate of the original price by more than 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

16. In the case of a contract for Goods or Works, which is subject to ADB's post review, ADB shall review the required contract modification or waiver and respond to the Borrower as soon as practicable, but not later than 1 month after the receipt of the required document.

17. The Borrower shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including change orders) within 1 month following amendment of the contract.

SCHEDULE 5**Execution of Project**Implementation Arrangements

1. The Borrower and Balochistan 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 the approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM, on the one hand, and this Loan Agreement, the Grant Agreements or the Project Agreement, on the other, the provisions of this Loan Agreement, the Grant Agreements and the Project Agreement shall prevail. As more particularly described in the PAM, Balochistan shall implement the Project through ID and ACD and their respective responsibilities shall be as set out in the PAM.

2. The Borrower shall ensure and cause Balochistan to ensure that, within 3 months from the effectiveness of this Loan Agreement, (i) ID will appoint and engage a financial management specialist for the Project management office in ID; and (ii) each of ID and ACD will adopt a financial management manual for the Project with detailed procedures on budgeting and planning, funds withdrawal and management, bank account management, expenditure management, accounting and bookkeeping, financial reporting, and fixed asset management, as may be acceptable to ADB.

3. The Borrower shall ensure and cause Balochistan to ensure that ID and ACD will consult ADB regarding all significant matters related to the management and implementation of the Project, including the selection, appointment or change of the Project Director at the Project management office in ID or the Deputy Project Director at the Project implementation office in ACD to ensure continuity, transparency, and efficiency in the management of the Project.

Environment

4. The Borrower shall ensure and cause Balochistan to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project, each Subproject and all Project and Subproject facilities comply with (a) all applicable laws and regulations of the Borrower and Balochistan relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the EIAs, IEEs and EMPs, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

5. The Borrower shall ensure and cause Balochistan to ensure that all land and all rights-of-way required for the Project, each Subproject and all Project and Subproject facilities are made available to each Works contractor in accordance with the schedule agreed under the relevant Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower and Balochistan relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the LARF; and (d) all measures and requirements set forth in the relevant LARP, and any corrective or preventative actions set forth in a Safeguards

Monitoring Report. The Borrower shall also ensure and cause Balochistan to ensure that all land acquisition and resettlement activities will comply with the specific Involuntary Resettlement Safeguards arrangements and requirements set out in the PAM. For the avoidance of doubt, the Borrower shall ensure and cause Balochistan to ensure that no land is acquired, for the purposes of the Project or any Subproject, under the emergency acquisition provisions of the Borrower's Land Acquisition Act (1894), as amended from time to time.

6. Without limiting the application of the Involuntary Resettlement Safeguards, the LARF or any LARP, the Borrower shall ensure and cause Balochistan to ensure that no physical or economic displacement takes place in connection with any Subproject until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the LARP for the Subproject; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the LARP for the Subproject.

Indigenous Peoples

7. The Borrower shall ensure and cause Balochistan to ensure that the Project and all Subprojects do not have any indigenous peoples impact within the meaning of the Safeguard Policy Statement. In the event that the Project or any Subproject does have any such impact, the Borrower shall take and cause Balochistan to take all steps required to ensure that the Project or the Subproject, as the case may be, complies with the applicable laws and regulations of the Borrower and Balochistan and with the Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

8. The Borrower shall make available or cause Balochistan to make available necessary budgetary and human resources to fully implement the EMPs and the LARPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

9. The Borrower shall ensure and cause Balochistan to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the relevant EIA or IEE (as the case may be), EMP and LARP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental or resettlement risks or impacts that arise during construction, implementation or operation of the Project or any

Subproject that were not considered in the relevant EIA or IEE (as the case may be), EMP or LARP;

- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

10. The Borrower shall do the following or cause Balochistan to do the following:
- (a) submit semi-annual Safeguards Monitoring Reports to ADB during the construction of the Project and the Subprojects and until their completion, and, thereafter, submit annual reports to ADB during their operation, and disclose the relevant information from such reports to affected persons promptly upon submission;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project or any Subproject that were not considered in the relevant EIA or IEE (as the case may be), EMP or LARP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
 - (c) no later than the date that is 3 months from and after the effectiveness of this Loan Agreement, engage qualified and experienced external experts or qualified NGOs under a selection process and terms of reference acceptable to ADB to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external experts;
 - (d) report any actual or potential breach of compliance with the measures and requirements set forth in an EMP or LARP promptly after becoming aware of the breach.

Prohibited List of Investments

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

Labor Standards, Health and Safety

12. The Borrower shall ensure and cause Balochistan to ensure that the core labor standards and the applicable laws and regulations of the Borrower and Balochistan are

complied with during Project implementation. The Borrower shall include or cause Balochistan to include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things, (a) comply with the applicable labor law and regulations of the Borrower and Balochistan and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area and Subproject areas, particularly women.

13. The Borrower shall strictly monitor or cause Balochistan to strictly monitor compliance with the requirements set forth in paragraph 12 above and provide ADB with regular reports.

Gender and Development

14. The Borrower shall ensure and cause Balochistan to 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; (c) adequate resources are allocated for the implementation of the GAP; (d) progress on the implementation of the GAP, including progress towards achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include: (i) at least 30% of all consultations held during the design and construction phase of each Subproject are held with women groups; (ii) at least 30% of all Subprojects have facilities for increased access by women to water for domestic use, for instance washing facilities and water collection points; (iii) at least 200 women and girls are trained in kitchen gardening skills; (iv) at least 250 women are trained for income-generating high-value agri-businesses; and (v) at least 22 women-led small-scale income-generating agri-businesses are launched.

Counterpart Support

15. The Borrower shall cause Balochistan to make available all counterpart funds required for the timely and effective implementation of the Project, including for any shortfall of funds or cost overrun, through providing annual budget allocations and releasing applicable funds in a timely manner. In addition, the Borrower shall provide all necessary support to Balochistan and ensure that Balochistan has sufficient funds to satisfy all liabilities arising from any Works, Goods and/or Consulting Services contract under the Project.

Operational Covenants

16. The Borrower shall ensure and cause Balochistan to ensure that the selection of sites for the feasibility study of potential subprojects, and the selection of sites for the implementation of Subprojects, will be undertaken in accordance with such criteria and procedures as may be agreed upon between Balochistan and ADB. The Borrower shall cause Balochistan to select all Subprojects in accordance with the criteria and procedures set out in the PAM.

17. The Borrower shall ensure and cause Balochistan to ensure that no Subproject will involve, and no proceeds of the Loan or the Grants will be used to support, groundwater extraction by deep tubewells, turbine pumps, or tapping of karezes.

18. The Borrower shall ensure and cause Balochistan to ensure that, for each Subproject, the local communities in the Subproject area will be fully involved in the planning, design, implementation and maintenance of the Subproject and related initiatives in the areas of integrated water resources management, command area development, and agricultural support services. The Borrower shall ensure and cause Balochistan to ensure that both male and female members of the local communities will be consulted and involved.

19. The Borrower shall ensure and cause Balochistan to ensure that the Project and each Subproject will be implemented in accordance with applicable design and technical specifications and construction norms satisfactory to ADB, and construction supervision, quality control and contract management shall be performed in accordance with international and national standards.

20. The Borrower shall ensure and cause Balochistan to ensure that, within 3 months from the effectiveness of this Loan Agreement, ID will appoint an independent dam safety panel of eminent national engineers which will review the detailed design of proposed subprojects involving the construction of dams, oversee dam construction, and confirm to ADB that the design and construction of the dams meet international safety standards.

21. (a) The Borrower shall ensure and cause Balochistan to ensure that all Project and Subproject facilities will be operated and maintained, in an effective and sustainable manner, in accordance with the applicable laws, regulations and standards of the Borrower and Balochistan and, in other respects not covered by such laws, regulations and standards, in accordance with best international industry practice.

(b) The Borrower shall cause Balochistan to develop, approve and adopt an operation and maintenance plan, including an annual budget, for all Works to be constructed, improved, upgraded, rehabilitated, established, piloted or protected under the Project, including the water resources information system to be established with assistance from the Project, prior to their completion.

(c) The Borrower shall cause Balochistan to ensure that budgetary and other resources are allocated timely and provided promptly as necessary and appropriate for the operation and maintenance of the Project and Subproject facilities, and, at any given time, the amount of such budgetary and other resources shall not be less than the total sum required, at that time, to cover and defray the operation and maintenance expenditures indicated in the then current annual budget referenced in sub-paragraph (b).

(d) The Borrower shall cause Balochistan to review its irrigation tariff policy and prepare draft reforms for the policy, which include the introduction of irrigation tariffs for small irrigation systems, on or before 31 December 2020.

(e) The Borrower shall cause Balochistan to timely and promptly prepare operation and maintenance manuals and provide operation and maintenance training to the farmer communities and organizations that will assume the operation and maintenance of the

small irrigation systems and on-farm irrigation facilities that will be constructed, improved, upgraded, rehabilitated, established, piloted or protected under the Project.

Security

22. The Borrower shall ensure and cause Balochistan to ensure (through the political administration of the relevant local governments in the Project area and Subproject areas) that adequate security is provided for the smooth and uninterrupted implementation of the Project and the Subprojects. The Borrower shall ensure and cause Balochistan to ensure that (i) all Works contracts under the Project include a security plan to ensure the safety of Project contractors' personnel and consultants, and each such security plan allocates sufficient budget under the relevant Works contract or through Balochistan's counterpart funding; and (ii) all relevant permits are issued and all access and other necessary requirements are provided so that all security plans will be successfully implemented.

Governance and Anticorruption

23. The Borrower and Balochistan 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.

24. The Borrower and Balochistan shall ensure that 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 the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

25. The Borrower shall cause Balochistan to provide updated information on the Project on its website, including information on performance, business opportunities, bidding process and guidelines, outcome of biddings, and summary progress reports.