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GRANT NUMBER 0597-PAK(EF)

GRANT AGREEMENT  
(Externally Financed)

(Balochistan Water Resources Development Sector Project)

between

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ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 5 January 2019

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PAK 48098

**GRANT AGREEMENT**  
**(Externally Financed)**

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

WHEREAS

(A) by a loan agreement between the Recipient and ADB ("Loan Agreement"), ADB has agreed to make a concessional loan to the Recipient from ADB's ordinary capital resources ("Loan") in the amount of one hundred million Dollars (\$100,000,000) for the purposes of financing expenditures under Part A of the Project described in Schedule 1 to the Loan Agreement;

(B) by a grant agreement between the Recipient 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 Recipient for the purposes of financing expenditures under Part B of the Project;

(C) the Recipient has applied to the High-Level Technology Fund ("HLTF") for a grant, to be administered by ADB, 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 Recipient will make available to Balochistan the proceeds of the Loan, the JFPR Grant, and the grant provided for herein upon terms and conditions satisfactory to ADB;

(E) it has been resolved that HLTF will extend a grant, administered by ADB, for the purposes of cofinancing expenditures under the Project; and

(F) ADB has agreed to make the proceeds of the grant from HLTF available to the Recipient upon the terms and conditions set forth herein and in the Project Agreement between ADB and Balochistan;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Grant Regulations; Definitions**

Section 1.01. All the provisions of ADB's Externally Financed Grant Regulations, dated 1 January 2017 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations and in the Loan Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires.

**ARTICLE II****The Grant**

Section 2.01. ADB agrees to make available to the Recipient a grant from HLTF in the amount of two million Dollars (\$2,000,000) ("Grant").

**ARTICLE III****Use of Proceeds of the Grant**

Section 3.01. The Recipient shall make the proceeds of the Grant available to Balochistan upon terms and conditions satisfactory to ADB and shall cause Balochistan to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 4 to the Loan Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 March 2024 or such other date as may from time to time be agreed between the Recipient 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 Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 2 to this Grant Agreement, Schedule 5 to the Loan Agreement, and the Project Agreement.

Section 4.02. 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 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. The Recipient 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.

Section 4.05. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for HLTF. Accordingly, the Recipient agrees (i) that it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from HLTF and such proceeds have not been suspended or cancelled in whole or in part by HLTF, and (ii) that ADB does not assume any obligations or responsibilities of HLTF in respect of the Project or the Grant other than those set out in this Grant Agreement.

## ARTICLE V

### Suspension

Section 5.01. The following are specified as additional events for the suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations:

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

## ARTICLE VI

### Effectiveness

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

- (a) the Loan Agreement has been duly authorized, executed and delivered on behalf of the Recipient and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of the JFPR Grant Agreement or this Grant Agreement) have been fulfilled; and
- (b) the JFPR Grant Agreement has been duly authorized, executed and delivered on behalf of the Recipient and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of the Loan Agreement or this Grant Agreement) have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) that the Loan Agreement has been duly authorized, executed and delivered on behalf of the Recipient and is legally binding on the Recipient in accordance with its terms; and
- (b) that the JFPR Grant Agreement has been duly authorized, executed and delivered on behalf of the Recipient and is legally binding on the Recipient in accordance with its terms.

Section 6.03. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

## ARTICLE VII

### Termination

Section 7.01. This Grant Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan Agreement terminates.

## ARTICLE VIII

### Delegation of Authority

Section 8.01. The Recipient 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 Grant Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Grant Regulations.

Section 8.02. Any action taken or any agreement entered into by Balochistan pursuant to the authority conferred under Section 8.01 of this Grant Agreement shall be fully binding on the Recipient and shall have the same force and effect as if taken by the Recipient.

Section 8.03. The authority conferred on Balochistan under Section 8.01 of this Grant Agreement may be revoked or modified by agreement between the Recipient and ADB.

ARTICLE IX

Miscellaneous

Section 9.01. The Secretary, Economic Affairs Division, Ministry of Finance, Revenue and Economic Affairs of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 9.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

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

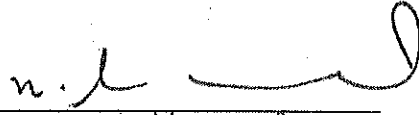
Facsimile Numbers:

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

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant 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****Allocation and Withdrawal of Grant 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 Grant and the allocation of the Grant proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table.)

Basis for Withdrawal from the Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure, as set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant 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 Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

5. Withdrawals from the Grant 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 Grant Agreement, in connection with the provision of training, subject to a maximum amount equivalent to 20% of the Grant amount.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Number	Item	Total Amount Allocated for HLTF Financing (\$)	Basis for Withdrawal from the Grant Account
		Category	
1	Civil Works	371,000	92% of total expenditure claimed
2	Goods	1,163,200	83% of total expenditure claimed
3	Training	243,000	83% of total expenditure claimed
4	Unallocated	222,800	
	<b>TOTAL</b>	<b>2,000,000</b>	

**SCHEDULE 2****Execution of Project**Combating Money Laundering and Financing of Terrorism

1. The Recipient shall ensure that (a) Balochistan complies with the applicable laws and regulations of the Recipient and Balochistan on combating money laundering and financing of terrorism; and (b) Grant proceeds are not used, directly or indirectly, in money laundering or financing of terrorism.

2. ADB shall inform HLTF in a timely manner if, during the implementation of this Grant Agreement, ADB becomes aware that the Grant proceeds are being used for money laundering or financing of terrorism.