
LOAN NUMBER 4696-(COL)

PROJECT AGREEMENT

(Balochistan Water Resources Development Sector Project - Additional Financing)

between

ASIAN DEVELOPMENT BANK

and

PROVINCE OF BALOCHISTAN

DATED 5 DECEMBER 2025

PAK 48098

PROJECT AGREEMENT

PROJECT AGREEMENT dated 5 December 2025 between ASIAN DEVELOPMENT BANK ("ADB") and PROVINCE OF BALOCHISTAN ("Balochistan")

WHEREAS

(A) by a loan agreement dated 5 January 2019 between the Borrower and ADB ("Original Loan Agreement"), ADB agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources in the amount of one hundred million Dollars (\$100,000,000) for the purposes of project described in Schedule 1 to the Original Loan Agreement ("Ongoing Project")

(B) by a grant agreement dated 5 January 2019 between the Borrower and ADB ("JFPR Grant Agreement"), ADB 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 Ongoing Project;

(C) by a grant agreement dated 5 January 2019 between the Borrower and ADB ("HLTF Grant Agreement" and, together with the JFPR Grant Agreement, "Grant Agreements"), ADB agreed to make the proceeds of a grant from HLTF ("HLTF Grant" and, together with the JFPR Grant, collectively referred to as the "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 Ongoing Project;

(D) by a Loan Agreement of even date herewith ("Loan Agreement") between Islamic Republic of Pakistan ("Borrower") and ADB, ADB has agreed to make to the Borrower a concessional loan of forty-eight million Dollars (\$48,000,000) 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 Balochistan and that Balochistan agrees to undertake certain obligations towards ADB set forth herein; and

(E) Balochistan, in consideration of ADB entering into the Loan 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. (a) 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) Balochistan 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 and Subproject facilities, Balochistan shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to Balochistan, and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. Balochistan 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, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, Balochistan 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, Balochistan shall procure all items of expenditures to be financed out of the proceeds of the Loan 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. Balochistan shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Balochistan 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) Balochistan shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, Balochistan 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. Balochistan 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, 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 Balochistan shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) Balochistan 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.

(c) ADB and Balochistan 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, Balochistan and the Loan.

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

(b) Without limiting the generality of the foregoing, Balochistan shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project and Subproject 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, Balochistan 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 Balochistan of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) Balochistan shall cause each of ID and ACD to (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 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) Balochistan shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and its financial affairs where they relate to the Project with the auditors appointed by Balochistan 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 Balochistan, unless Balochistan shall otherwise agree.

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

Section 2.11. (a) Balochistan shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on 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) Balochistan 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) Balochistan 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, Balochistan 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, Balochistan shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan 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. Balochistan shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. Balochistan 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 comes into force and effect. ADB shall promptly notify Balochistan 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.

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

For Balochistan

Additional Chief Secretary, Development
Planning & Development Department
Government of Balochistan
Block 13, Civil Secretariat
Quetta
Facsimile Number:
0092-819-202-419.

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 6.01 of the Loan Agreement by or on behalf of Balochistan may be taken or executed by its Secretary, Irrigation Department or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) Balochistan 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 

XIAOQIN FAN
Country Director
Pakistan Resident Mission

PROVINCE OF BALUCHISTAN

By 

ZIA UR REHMAN
Additional secretary
Irrigation Department

SCHEDULE

Execution of Project

Implementation Arrangements

1. Balochistan, through ID and ACD, 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 the Loan Agreement or this Project Agreement, on the other, the provisions of the Loan Agreement and this 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. Balochistan shall 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

3. Balochistan, through ID and ACD, shall 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

4. Balochistan, through ID and ACD, shall 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. Balochistan, through ID and ACD, shall also 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, Balochistan, through ID and ACD, shall 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.

5. Without limiting the application of the Involuntary Resettlement Safeguards, the LARF or any LARP, Balochistan, through ID and ACD, shall 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

6. Balochistan, through ID and ACD, shall 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, Balochistan, through ID and ACD, shall 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 SPS.

Human and Financial Resources to Implement Safeguards Requirements

7. Balochistan shall make available necessary budgetary and human resources to fully implement the EMPs and the LARPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. Balochistan, through ID and ACD, shall 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

9. Balochistan, through ID and ACD, shall 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; and
- (c) 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

10. Balochistan, through ID and ACD, shall 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

11. Balochistan, through ID and ACD, shall ensure that the core labor standards and the applicable laws and regulations of the Borrower and Balochistan are complied with during Project implementation. Balochistan, through ID and ACD, shall 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.

12. Balochistan, through ID and ACD, shall strictly monitor compliance with the requirements set forth in paragraph 12 above and provide ADB with regular reports.

Gender and Development

13. Balochistan, through ID and ACD, shall 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.

Counterpart Support

14. Balochistan shall 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.

Operational Covenants

15. Balochistan, through ID and ACD, shall 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.

16. Balochistan, through ID and ACD, shall ensure that no Subproject will involve, and no proceeds of the Loan will be used to support, groundwater extraction by deep tubewells, turbine pumps, or tapping of karezes.

17. Balochistan, through ID and ACD, shall 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.

18. Balochistan, through ID and ACD, shall 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.

19. Balochistan, through ID and ACD, shall ensure that within 90 days from the effectiveness of this Loan Agreement, ID will appoint an independent dam safety expert of national eminence, acceptable to ADB who shall oversee dam construction, and confirm to ADB that the design and construction of the dams meet international safety standards.

20. (a) Balochistan, through ID and ACD, shall 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) Balochistan, through ID and ACD, shall 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) Balochistan, through ID and ACD, shall 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) Balochistan shall 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 2025; and

(e) Balochistan, through ID, ACD shall 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 Project.

Security

21. Balochistan, through ID, ACD and the political administration of the relevant local governments in the Project area and Subproject areas, shall ensure that adequate security is provided for the smooth and uninterrupted implementation of the Project and the Subprojects. Balochistan, through ID and ACD, shall 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

22. 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.

23. Balochistan, through ID and ACD, 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.

24. Balochistan shall cause ID and ACD to provide updated information on the Project on their websites, including information on performance, business opportunities, bidding process and guidelines, outcome of biddings, and summary progress reports.