

**ISLAMIC REPUBLIC OF PAKISTAN**  
**PUNJAB DEVOLVED SOCIAL SERVICES PROGRAM**  
**Minutes of Loan Negotiations**

I. **INTRODUCTION**

1. Loan negotiations for the proposed Punjab Devolved Social Services Program (Program) were conducted at the Headquarters of the Asian Development Bank (ADB) in Manila from 18-19 November 2004 between the representatives of the Islamic Republic of Pakistan (the Borrower) and the Province of Punjab (Punjab) of the first part and the representatives of ADB of the other part.

2. The Borrower and Punjab were represented by the following officials (the Borrower Team):

Mr. Suleman Ghani Chairman, Planning and Development Board Punjab	-	Chief Negotiator
Mr. Salman Siddique Secretary, Finance Department Punjab	-	Member
Ms. Sameena Saleem Section Officer Economic Affairs Division	-	Member

3. The ADB was represented by the following officers (the ADB Team):

Mr. Brajesh Panth Senior Social Sector Specialist, BRM	-	Chief Negotiator
Ms. Aysha Qadir Counsel, OGC	-	Member
Mr. Sekhar Bonu Health Specialist, SASS	-	Member
Mr. Tadateru Hayashi Country Programs Specialist, SAOC	-	Member
Ms. Roslaini Rasuman Senior Financial Control Specialist, CTLA-2	-	Member (on stand-by basis)
Mr. Mark Poston Education Advisor Department for International Development	-	Observer (on stand-by basis)



4. Drafts of the: (i) Program Loan Agreement (Special Operations) between the Borrower and ADB; (ii) Program Loan Agreement (Ordinary Operations) between the Borrower and ADB; and (iii) Program Agreement between ADB and Punjab (collectively, the draft Agreements), which had earlier been provided to the Borrower and Punjab formed the basis for the negotiations. Three copies of the draft Agreements incorporating the agreed changes were initialed on behalf of the Borrower, Punjab and ADB, with one copy of each of the initialed draft Agreements being retained by the Borrower, Punjab and ADB. The negotiated draft Agreements are attached hereto as Appendices 1 through 3. Unless otherwise defined herein, capitalized terms used in these Minutes shall have the same meanings ascribed thereto in the draft Agreements.

5. These minutes record certain matters of clarification and interpretation relating to the draft Agreements as discussed and agreed upon by the parties during the loan negotiations, and also state the agreement of the Borrower Team and the ADB Team on certain aspects of Program implementation.

## II. GENERAL

6. The ADB Team explained the ADB's policy on confidentiality and disclosure of information, pursuant to which the Report and Recommendation of the President (RRP) for the Program and the Agreements will be declassified and made available to the general public on request following approval of the Program by ADB's Board of Directors. The draft RRP and the draft Agreements had been submitted to the Borrower Team for review, and the Borrower Team indicated that the draft RRP and the draft Agreements did not contain information or data that is of a sensitive or confidential nature.

7. The ADB Team brought to the attention of the Borrower Team the ADB's anticorruption policy. In particular, attention was drawn to the ADB's policy to require borrowers of ADB loans as well as bidders/suppliers/contractors/consultants under contracts financed through ADB loans to observe the highest standards of ethics during the procurement and execution of such contracts. Anticorruption provisions of the *Guidelines for Procurement under Asian Development Bank Loans*, *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers*, the *Ordinary Operations Loan Regulations* and the *Special Operations Loan Regulations* were specifically brought to the Borrower Team's notice.

8. The ADB Team advised that pursuant to the ADB's Graduation Policy, the ADB's per capita GNP operational cut-off in respect of the ADB's Special Funds resources has been amended to be harmonized with the International Development Association's per capita GNP operational cut-off. The current per capita GNP operational cut-off is US\$895 in 2003 prices.

9. The Borrower Team acknowledged that the disbursement procedures set out in the ADB's *Loan Disbursement Handbook 2001* are supplemented by the *Interim Guidelines for Disbursement, LIBOR-Based Loan Products* dated July 2002.

10. The ADB Team advised the Borrower Team that ADB's Board of Directors has approved a temporary reduction in the Fixed Spread from 0.60% to 0.40% until 1 July 2005. Without further action from the Board, the Fixed Spread will revert automatically to 0.60% from 1 July 2005. The temporary change to the Fixed Spread will be given effect by ADB's Controller through the billing system.

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11. The ADB Team advised the Borrower Team that ADB's Board of Directors has approved a temporary waiver of the front-end fee charged on all OCR public sector loans approved from 1 January 2004 to 1 July 2005. Considering the proposed schedule for Board consideration of the Program, the ADB Team and the Borrower Team agreed that: (i) the Ordinary Operations Program Loan will not be charged a front-end fee provided it is approved before 1 July 2005; and (ii) in the event the Ordinary Operations Program Loan is not approved by 1 July 2005: (A) the front-end fee will revert to 1.0% (subject to adjustment when the Board determines the appropriate front-end fee to be charged for OCR public sector loans approved after 1 July 2005); and (B) the Borrower hereby authorizes ADB to make the necessary changes to the Program Loan Agreement (Ordinary Operations).

### III. COMMON MINUTES TO DRAFT AGREEMENTS

#### Repayment Dates

12. The Borrower Team confirmed that the Borrower has chosen 15 May and 15 November as repayment dates in each year.

#### Development Policy Letter, Policy Matrix and Attachments 2, 3 and 4 to Schedule 3 of the Program Loan Agreement (Ordinary Operations) and the Program Loan Agreement (Special Operations)

13. The ADB Team received the Development Policy Letter, which was considered acceptable to the ADB Team. The signed Development Policy Letter is attached hereto as Appendix 4. Tranche conditions specified in the Policy Matrix were discussed and revised. The agreed Policy Matrix is attached hereto as Appendix 5. Attachments 2, 3 and 4 to Schedule 3 of the Program Loan Agreement (Ordinary Operations) and the Program Loan Agreement (Special Operations) were revised accordingly.

### IV. PROGRAM LOAN AGREEMENT (ORDINARY OPERATIONS)

#### LBL Facility

14. The Borrower Team informed the ADB Team that the Borrower had chosen to borrow under the ADB's *Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources*, dated 1 July 2001 (the LBL Facility) for the Program. The Borrower Team also confirmed that the Borrower has chosen to borrow in Yen. The proposed Yen amount of the loan is ¥7,995,750,000, equivalent to US\$75,000,000, computed at the conversion rate of ¥106.610000 equaling US\$1.00, which is the conversion rate for ADB's transactions on the last working day (i.e. 19 November 2004) of the loan negotiations.

15. The Borrower Team informed the ADB Team that these choices were based on the Borrower's informed opinion that the LBL Facility on the financial terms described above and in the draft Program Loan Agreement (Ordinary Operations) most appropriately provides the Borrower with the ability to manage the risk exposures under the Program as well as the Borrower's external debt portfolio.

16. The Borrower Team acknowledged to the ADB Team that:

- (i) The Borrower has made its own independent decision to borrow under the LBL Facility on the terms set out above and in the draft Program Loan Agreement (Ordinary Operations) for the Program and is not relying on any communication or confirmation from the ADB as a recommendation with respect thereto; and
- (ii) the ADB is not acting as an advisor to the Borrower in respect of the Borrower's choice of loan terms for the Program.

V. PROGRAM LOAN AGREEMENT (SPECIAL OPERATIONS)

Section 2.01

17. The Loan amount of US\$75,000,000 was converted, consistent with the ADB's policy of denominating Special Funds Loans in Special Drawing Rights (SDR), to SDR49,770,000 at the conversion rate of SDR 1.00 equaling US\$1.506950 which is the conversion rate for the ADB's transactions on the last day of the loan negotiations. Such conversion was made elsewhere as required in the draft Loan Agreement (Special Operations).

VI. APPENDICES

18. The following Appendices are attached to these Minutes:

- Appendix 1 - Negotiated Program Loan Agreement (Ordinary Operations)
- Appendix 2 - Negotiated Program Loan Agreement (Special Operations)
- Appendix 3 - Negotiated Program Agreement
- Appendix 4 - Development Policy Letter
- Appendix 5 - Policy Matrix

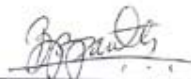
Signed on 19 November 2004.

FOR THE ISLAMIC REPUBLIC  
OF PAKISTAN



Ms. Sameena Saleem  
Section Officer  
Economic Affairs Division

FOR THE ASIAN DEVELOPMENT  
BANK



Brajesh Panth  
Senior Social Sector Specialist,  
BRM



FOR THE PROVINCE OF PUNJAB



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Suleman Ghani  
Chairman, Planning and Development Board  
Punjab