
LOAN NUMBER 3683-BAN

LOAN AGREEMENT
(Ordinary Operations)

(Southwest Transmission Grid Expansion Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 10 SEPTEMBER 2018

BAN 51137

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 10 September 2018 between PEOPLE'S REPUBLIC OF BANGLADESH ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan from ADB's ordinary capital resources for the purposes of financing Parts A and C, and a portion of Part B, of the Project described in Schedule 1 to this Loan Agreement;

(B) by an agreement of even date herewith ("JFJCM Grant Agreement"), ADB has agreed to make the proceeds of a grant from the Japan Fund for the Joint Crediting Mechanism available to the Borrower in an amount of seven million Dollars (\$7,000,000) for the purposes of financing a portion of Part B of the Project;

(C) by an agreement of even date herewith ("EAKPF Grant Agreement"), ADB has agreed to make the proceeds of a grant from the Republic of Korea e-Asia and Knowledge Partnership Fund available to the Borrower in an amount of five hundred thousand Dollars (\$500,000) for the purposes of financing Part D of the Project;

(D) the Project will be carried out by the Power Grid Company of Bangladesh Limited ("PGCB"), and for this purpose the Borrower will make available to PGCB the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(E) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and PGCB;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations 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) "BERC" means the Bangladesh Energy Regulatory Commission;

- (b) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (c) "EAKPF" means the Republic of Korea e-Asia and Knowledge Partnership Fund established in June 2006;
- (d) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (e) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (f) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (g) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (h) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) on the SPS;
- (i) "JFJCM" means the Japan Fund for the Joint Crediting Mechanism established in 2014;
- (j) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (k) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (l) "PAM" means the project administration manual for the Project dated 14 May 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;
- (m) "Procurement Plan" means the procurement plan for the Project dated 14 May 2018 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (n) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);

- (o) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (p) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means PGCB, which is responsible for the carrying out of the Project;
- (q) "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (r) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP and the RP (as applicable), including any corrective and preventative actions;
- (s) "SPS" means ADB's Safeguard Policy Statement (2009);
- (t) "Services" means Consulting Services and Nonconsulting Services;
- (u) "Subsidiary Financing Agreement" means the agreement between the Borrower and PGCB with respect to the proceeds of the Loan relented under the Project as described in Section 3.01(a) of this Loan Agreement, and the proceeds of the grants provided under the Project as described in the JFJCM Grant Agreement and the EAKPF Grant Agreement; and
- (v) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of three hundred fifty million Dollars (\$350,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(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 interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 January and 1 July in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan to PGCB under a Subsidiary Financing Agreement upon terms and conditions satisfactory to ADB.

(b) The Borrower shall cause the proceeds of the Loan to be applied 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 9.02 of the Loan Regulations shall be 31 December 2023 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement and the Project Agreement.

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

Section 4.03. The Borrower shall take all actions which shall be necessary on its part to enable the Project Executing Agency 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 4.04. (a) The Borrower shall exercise its rights under the Subsidiary Financing Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Financing Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(m) of the Loan Regulations:

- (a) the Borrower shall have failed to perform any of its obligations under the JFJCM Grant Agreement;
- (b) the Borrower shall have failed to perform any of its obligations under the EAKPF Grant Agreement; and
- (c) the Borrower and PGCB shall have failed to perform any of their respective obligations under the Subsidiary Financing Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement has 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 10.01(f) of the Loan Regulations:

- (a) the JFJCM Grant Agreement shall have been duly authorized by, and 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, shall have been fulfilled; and
- (b) the EAKPF Grant Agreement shall have been duly authorized by, and 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, shall have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) that the JFJCM Grant Agreement shall have been duly authorized by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms; and

- (b) that the EAKPF Grant Agreement shall have been duly authorized by, and executed and delivered on behalf of, the Borrower and is legally binding upon 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 10.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Senior Secretary or Secretary or any Additional Secretary or Chief, Joint Secretary or Joint Chief, Deputy Secretary or Deputy Chief, Senior Assistant Secretary or Senior Assistant Chief, Assistant Secretary or Assistant Chief of the Economic Relations Division of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-e-Bangla Nagar
Dhaka 1207, Bangladesh

Facsimile Number:

+880 2 918 0788

For ADB

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

Facsimile Numbers:


(632) 636-2444
(632) 636-2293.

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.

PEOPLE'S REPUBLIC OF BANGLADESH

By 
KAZI SHOFIQL AZAM
Secretary
Economic Relations Division
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 
MANMOHAN PARKASH
Country Director
Bangladesh Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve capacity of electricity supply in southern and western Bangladesh.

2. The Project shall comprise:

Part A: New substation at Gopalganj installed

Construction of Gopalganj (North) 400/132 kV substation, 3X325 megavolt-ampere (MVA) substation.

Part B: New transmission network in southern Bangladesh constructed

Construction of (i) approximately 126 km Barisal (North)-Gopalganj (North)-Faridpur 230 kV double circuit line; (ii) two 230 kV bay extensions at existing Barisal (North) substation and the existing Faridpur 132/33 kV, 2X250 MVA substation augmentation; and (iii) 400/230 kV, 2X750 MVA Gopalganj (North) substation augmentation.

Part C: New transmission network in western Bangladesh constructed

Construction of (i) approximately 104 km Bogra (West)-Rohanpur 400 kV double circuit line; (ii) new 400/230 kV, 2X750 MVA Bogra (West) substation; (iii) new 400/132 kV, 2X325 MVA Rohanpur substation; (iv) approximately 26 km Chapainawabganj-Rohanpur 132 kV double circuit transmission line; (v) two 132 kV bay extensions at existing Chapainawabganj substation; and (vi) approximately 11 km line-in line-out connection from Barapukuria-Bogra (South) 230 kV transmission line to Bogra (West) substation and 1 km line-in line-out connection from Chowdala-Niamatpur 132 kV transmission line to Rohanpur substation.

Part D: Socially inclusive capacity development in the electric utility industry enhanced

Support, through a university program relevant to energy sector, for (i) 50 university students, of which at least 40% are women; and (ii) 30 PGCB staff, of which at least 30% are women.

3. The Project is expected to be completed by 30 June 2023.

SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 January 2024	2.500000
1 July 2024	2.500000
1 January 2025	2.500000
1 July 2025	2.500000
1 January 2026	2.500000
1 July 2026	2.500000
1 January 2027	2.500000
1 July 2027	2.500000
1 January 2028	2.500000
1 July 2028	2.500000
1 January 2029	2.500000
1 July 2029	2.500000
1 January 2030	2.500000
1 July 2030	2.500000
1 January 2031	2.500000
1 July 2031	2.500000
1 January 2032	2.500000
1 July 2032	2.500000
1 January 2033	2.500000
1 July 2033	2.500000
1 January 2034	2.500000
1 July 2034	2.500000
1 January 2035	2.500000
1 July 2035	2.500000
1 January 2036	2.500000
1 July 2036	2.500000
1 January 2037	2.500000
1 July 2037	2.500000
1 January 2038	2.500000

<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 July 2038	2.500000
1 January 2039	2.500000
1 July 2039	2.500000
1 January 2040	2.500000
1 July 2040	2.500000
1 January 2041	2.500000
1 July 2041	2.500000
1 January 2042	2.500000
1 July 2042	2.500000
1 January 2043	2.500000
1 July 2043	2.500000
TOTAL	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be

determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

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 or Subcategory 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.

Reallocation

3. 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

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

Retroactive Financing

5. 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 items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until (a) the Subsidiary Financing Agreement shall have been duly executed and delivered between the Borrower and PGCB and shall have become binding upon the parties thereto in accordance with their terms; and (b) the recruitment of qualified executive director of finance, general manager of finance and deputy general manager of project finance shall have been advertised and the submission of applications shall have been closed.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Works and installation*	52,410,000	100% of total expenditure claimed
2	Mechanical equipment*	248,710,000	100% of total expenditure claimed**
3	Consulting Services*	1,250,000	100% of total expenditure claimed
4	Unallocated	47,630,000	100% of total expenditure claimed
	TOTAL	350,000,000	

*Subject to the condition for withdrawal described in paragraph 6 of Schedule 3.

**Financing allocated to this item under the JFJCM Grant Agreement will be utilized first at 100% of every claim until it has been disbursed in full. Thereafter, financing allocated to this item under this Loan Agreement will be utilized at 100% of every claim.

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower and PGCB shall ensure that the Project is implemented in accordance with the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement and the Project Agreement, the provisions of this Loan Agreement and the Project Agreement shall prevail.

Procurement

2. The Borrower and PGCB shall ensure that:

- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
- (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
- (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

3. The Borrower shall not award:

- (a) any Works contract which involves environmental impacts until: (i) the Borrower's Department of Environment has granted the approval of the IEE (including approval of separate environmental impact assessment required to be prepared under Bangladesh law); (ii) the Borrower has incorporated the relevant provisions from the EMP into the Works contract; and (iii) the IEE is updated to reflect the turnkey contractor's detailed design and obtained ADB's clearance of such IEE; and
- (b) any Works contract which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final RP

based on the Project's detailed design, and obtained ADB's clearance of such RP.

Environment

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

Land Acquisition and Involuntary Resettlement

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

6. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Borrower shall cause PGCB to ensure that no physical or economic displacement takes place in connection with the Project until:

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

Tribes, Minor Races, Ethnic Sects and Communities Peoples

7. The Borrower shall cause PGCB to ensure that the Project does not impact tribes, minor races, ethnic sects and communities peoples within the used by the Borrower and/or indigenous peoples described in Appendix 3 of the SPS. If due to unforeseen circumstances, the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with all applicable laws and regulations of the Borrower and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

8. The Borrower shall make available or cause PGCB to make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

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

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, and the RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth 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, resettlement or tribes, minor races, ethnic sects and communities peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, and the RP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) 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 PGCB to do the following:
- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose 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 that were not considered in the IEE, the EMP, and the RP, 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 90 days after the Effective Date, 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; and
 - (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.

Prohibited List of Investments

11. The Borrower shall ensure that no proceeds of the Loan 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 cause PGCB to ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower 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 Borrower's applicable labor law and regulations 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; and (e) 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, particularly women.

13. The Borrower shall cause PGCB 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 cause PGCB to ensure that the principles of gender equality aimed at increasing Project benefits and impact on women in the Project area are followed during implementation of the Project. These include (a) equal pay to men and women for work of equal value, (b) enabling working conditions for women workers, and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

Counterpart Support

15. Notwithstanding the generality of Section 7.05 of the Loan Regulations, the Borrower shall ensure that PGCB has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract.

Operational and Resource Planning Covenants

16. The Borrower shall coordinate the work between relevant Borrower ministries and agencies, including the Ministry of Power, Energy and Mineral Resources, the Ministry of Finance, the Ministry of Land and PGCB, for the expeditious resolution of any issues and timely implementation of the project.

17. The Borrower shall cause PGCB to complete the recruitment process and to have appointed a qualified executive director of finance, general manager of finance and deputy general manager of project finance by 30 June 2019.

18. The Borrower shall cause PGCB to develop a detailed time bound action plan to (a) address all material external audit qualifications raised in the 2016–2017 audited financial statements report; and (b) implement the enterprise resource planning system, by 31 December 2019.

19. The Borrower shall (a) ensure that PGCB files timely application, if required, of utility tariffs to ensure its financial sustainability and economic efficiency; and (b) use its best

efforts to have the tariff adjustment applications filed by PGCB reviewed by BERC in a timely manner. Pursuant to such review, any increase (or decrease) in rates or charges shall be approved in accordance with the electricity transmission tariff fixation methodology approved by BERC.

JFJCM and EAKPF

20. The Borrower shall cause PGCB to ensure that (a) the grants provided by JFJCM and the EAKPF are passed on to PGCB as grants in accordance with their terms; (b) the PGCB scholarship program will be implemented in accordance with criteria set forth in the PAM; and (c) progress on implementation of the JFJCM for supporting Part B of the Project and the EAKPF for supporting PGCB scholarship program. The progress reports shall include progress toward achieving carbon dioxide emission reduction, gender and social inclusive targets, which are regularly monitored and reported to ADB.

Governance and Corruption

21. The Borrower and PGCB 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.

22. The Borrower and PGCB shall ensure that the 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.