
LOAN NUMBER 3409-SRI

LOAN AGREEMENT
(Ordinary Operations)

(Supporting Electricity Supply Reliability Improvement Project)

between

CEYLON ELECTRICITY BOARD

and

ASIAN DEVELOPMENT BANK

DATED 19 DECEMBER 2016

SRI 49216

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 19 December 2016 between CEYLON ELECTRICITY BOARD ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the loan is to be guaranteed by the Democratic Socialist Republic of Sri Lanka ("Guarantor") under the terms of the Guarantee Agreement between the Guarantor and ADB;

(C) the Guarantor has applied to the Clean Energy Fund of the Clean Energy Financing Partnership Facility for a grant of one million eight hundred thousand Dollars (\$1,800,000) ("CEF Grant") to assist in financing a portion of Part 1 of the Project and to be administered by ADB, upon terms and conditions set forth in a Grant Agreement between ADB and the Guarantor ("CEF Grant Agreement");

(D) the Guarantor has also applied to the Japan Fund for Poverty Reduction for a grant of two million Dollars (\$2,000,000) ("JFPR Grant") to assist in financing a portion of Part 1 of the Project and to be administered by ADB, upon terms and conditions set forth in a Grant Agreement between ADB and the Guarantor ("JFPR Grant Agreement"); 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;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit; Maturity Premium. (a)
The Borrower shall pay a commitment charge on the

unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

(b) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(c) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by

multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(d) Section 3.07(c) is deleted.

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) "Ceylon Electricity Board" means the Ceylon Electricity Board established under the Ceylon Electricity Board Act 1969 or any successor thereto acceptable to ADB;

(b) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

(c) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(d) "Gender Action Plan" means the gender action plan for the Project;

(e) "Grants" means the CEF Grant and the JFPR Grant;

(f) "Goods" means equipment and materials to be financed out of the proceeds of the Loan and Grants, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(g) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower or the Guarantor 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) of the SPS;

(i) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(j) "PAM" means the project administration manual for the Project dated 26 May 2016 and agreed between the Borrower, the Guarantor and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(k) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(l) "Procurement Plan" means the procurement plan for the Project dated 26 May 2016 and agreed between the Borrower, the Guarantor and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(m) "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower or the Guarantor and cleared by ADB;

(n) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower and the Guarantor to ADB that describes progress with implementation of and compliance with EMP, the RP, and IPP (as applicable), including any corrective and preventive actions;

(o) "SPS" means ADB's Safeguard Policy Statement (2009); and

(p) "Works" means construction or civil works to be financed out of the proceeds of the Loan and 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 fifteen million Dollars (\$115,000,000), 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 15 May and 15 November 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(6) 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. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan 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. 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 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2022 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out 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 facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. The Borrower shall make available, promptly as needed, 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 and for the operation and maintenance of the Project facilities.

Section 4.03. (a) Whenever applicable, in the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower 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 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower shall (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 end of each related fiscal year, 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) In addition to annual audited financial statements referred to in subsection (a) hereinabove, the Borrower shall (i) provide its annual financial statements prepared in accordance with financing reporting standards acceptable to ADB; (ii) have its 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; (iii) as part of each such audit, have the auditors prepare the auditors' opinion(s) on the financial statements and compliance with the financial covenants of the Loan Agreement; and (iv) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and auditors' opinion(s), 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.

(d) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) and (c) 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 the Borrower, unless the Borrower shall otherwise agree.

Section 4.06. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.07. (a) The Borrower 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 business.

(b) The Borrower shall at all times conduct its business in accordance with sound technical, financial, business and development practices, and under the supervision of competent and experienced management and personnel.

(c) The Borrower 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 4.08. Except as ADB may otherwise agree, the Borrower 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 the ability of the Borrower to perform satisfactorily any of its obligations under this Loan Agreement.

ARTICLE V

Suspension

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(l) of the Loan Regulations:

- (a) the Guarantor shall have failed to perform one or more of its obligations under the CEF Grant Agreement; and
- (b) the Guarantor shall have failed to perform one or more of its obligations under the JFPR Grant Agreement.

ARTICLE VI

Effectiveness

Section 6.01. The following are additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations:

- (a) the execution and delivery of the CEF Grant Agreement on behalf of the Guarantor shall have been duly authorized or satisfied by all necessary action and all conditions precedent to effectiveness (other than a condition requiring effectiveness of this Loan Agreement) shall have been fulfilled; and
- (b) the execution and delivery of the JFPR Grant Agreement on behalf of the Guarantor shall have been duly authorized or satisfied by all necessary action and all conditions precedent to effectiveness (other than a condition requiring 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 furnished to ADB:

- (a) that the CEF Grant Agreement has been duly authorized or ratified by, executed and delivered on behalf of, the Guarantor, and is legally binding upon the Guarantor in accordance with its terms; and
- (b) that the JFPR Grant Agreement has been duly authorized or ratified by, executed and delivered on behalf of, the Guarantor, and is legally binding upon the Guarantor 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 General Manager 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

General Manager
Ceylon Electricity Board
50, Sir Chittampalm A Gardinier Mawatha
Colombo 02, Sri Lanka

Facsimile Number:

(94 11) 2323935

For ADB

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


Facsimile Numbers:

(632) 636-2444

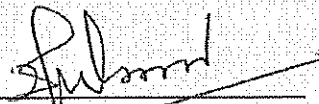
(632) 636-2338.

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.

CEYLON ELECTRICITY BOARD

By 
W A D S WIJAYAPALA
Chairman

CEYLON ELECTRICITY BOARD

By 
W A G WANASEKARA
Vice Chairman

ASIAN DEVELOPMENT BANK

By 
SRI WIDOWATI
Country Director
Sri Lanka Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to enhance electricity supply and distribution system efficiency and reliability.
2. The Project shall comprise:
 - (a) establishment of hybrid renewable energy systems consisting of wind, solar, efficient diesel generators, and battery storage, and support for productive energy use for small isolated island and rural communities, in 3 islands in the Jaffna area of the Northern Province (Nainathivu, Analativu and Delfts), and construction of a renewable energy micro-grid system in the Western Province ("Part 1");
 - (b) construction of 270.5 km of 33 kV tower lines, 80 km of 33 kV aerial-bundled conductor lines and 13 nos. 33 kV gantries, and installation of 175 nos. 33 kV load-break switches and 25 nos. 33 kV auto reclosers ("Part 2");
 - (c) construction of 1,979 km of low voltage line extensions, establishment of 106 rural electrification schemes (comprising 106 nos. of 100 kilovolt-ampere distribution substations, 198 km of dedicated 33 kV lines and 393 km of low voltage lines to connect rural households to the grid), and installation of 25,000 programmable distribution substation meters with remote meter-reading facility ("Part 3"); and
 - (d) installation of 100 megavolt-ampere reactive breaker-switched capacitors at the 132 kV bus bar of the existing Pannipitiya grid substation, and +100/-50 megavolt-ampere static var compensator at the 220 kV bus bar of the existing Biyagama grid substation for voltage control during dynamic conditions ("Part 4").
3. The Project is expected to be completed by 30 September 2021.

SCHEDULE 2

Amortization Schedule

(Supporting Electricity Supply Reliability Improvement Project)

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>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 November 2021	2.500000
15 May 2022	2.500000
15 November 2022	2.500000
15 May 2023	2.500000
15 November 2023	2.500000
15 May 2024	2.500000
15 November 2024	2.500000
15 May 2025	2.500000
15 November 2025	2.500000
15 May 2026	2.500000
15 November 2026	2.500000
15 May 2027	2.500000
15 November 2027	2.500000
15 May 2028	2.500000
15 November 2028	2.500000
15 May 2029	2.500000
15 November 2029	2.500000
15 May 2030	2.500000
15 November 2030	2.500000
15 May 2031	2.500000
15 November 2031	2.500000
15 May 2032	2.500000
15 November 2032	2.500000
15 May 2033	2.500000
15 November 2033	2.500000
15 May 2034	2.500000
15 November 2034	2.500000
15 May 2035	2.500000
15 November 2035	2.500000
15 May 2036	2.500000
15 November 2036	2.500000
15 May 2037	2.500000
15 November 2037	2.500000

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 May 2038	2.500000
15 November 2038	2.500000
15 May 2039	2.500000
15 November 2039	2.500000
15 May 2040	2.500000
15 November 2040	2.500000
15 May 2041	<u>2.500000</u>
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.

(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 two 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 disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category 3 is for financing interest and commitment charges 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 and commitment charges.

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 for financing of 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 Goods and Works, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Supporting Electricity Supply Reliability Improvement Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Works (Turnkey Contracts)	59,600,000	100% of total expenditure claimed*
2	Equipment	38,600,000	100% of total expenditure claimed*
3	Interest and Commitment Charges	6,300,000	100% of amounts due
4	Unallocated	10,500,000	
	Total	115,000,000	

*Exclusive of taxes and duties imposed within the territory of the Borrower.

SCHEDULE 4**Procurement of Goods and Works**General

1. The procurement of Goods and Works shall be subject to and governed by the Procurement Guidelines.

2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

- (a) International Competitive Bidding; and
- (b) National Competitive Bidding.

4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Domestic Preference

5. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

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.

Conditions for Award of Contract

7. The Borrower shall not award any Works contract which involves environmental impacts until:

- (a) the Borrower has obtained the final approval of the IEE; and
- (b) the Borrower has incorporated the relevant provisions from the EMP into the Works contract.

8. The Borrower shall not award 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.

Industrial or Intellectual Property Rights

9. (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.

ADB's Review of Procurement Decisions

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

SCHEDULE 5**Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower and the Guarantor 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 approval of such change by the Borrower, the Guarantor and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the CEF Grant Agreement and the JFPR Grant Agreement, the provisions of this Loan Agreement, the CEF Grant Agreement and the JFPR Grant Agreement shall prevail.

Environment

2. The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project comply with (a) all applicable laws and regulations of the Guarantor 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 preventive actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

3. The Borrower shall 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 Guarantor 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.

4. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, The Borrower shall 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.

Indigenous Peoples

5. The Borrower shall ensure that the Project does not impact indigenous peoples within the meaning of the SPS. If due to unforeseen circumstances, the Project impacts indigenous peoples, the Borrower shall take all steps necessary or desirable to ensure that the Project complies with all applicable laws and regulations of the Guarantor relating to indigenous peoples and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

6. The Borrower shall make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Borrower shall 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 indigenous 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

8. The Borrower shall 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 or the RP, 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 the EMP or the RP after becoming aware of the breach.

Prohibited List of Investments

9. 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

10. The Borrower shall ensure that the core labor standards and the Guarantor's applicable labor 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: (a) comply with the Guarantor's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor or forced labor; (c) give equal pay for equal work regardless of gender, ethnicity or caste; and (d) 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.

Gender and Development

11. The Borrower shall take reasonable steps to ensure that (a) the Gender Action Plan 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 Gender Action Plan; (c) adequate resources are allocated for implementation of the Gender Action Plan; (d) progress on implementation of the Gender Action Plan, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to (i) 20% of "women-headed" household participation in micro, small and medium sized enterprise development training; (ii) 900 of end-user participation in safe and efficient electricity use workshop; and (iii) 600 persons participation in skill training for employment and livelihood opportunities.

Counterpart Support

12. The Borrower shall make available all counterpart funds required for the timely and effective implementation of the Project. In addition to the foregoing, the Borrower shall ensure that it has sufficient funds to satisfy its liabilities arising from any Works and/or Goods contract.

Financial Covenants

13. Except as ADB may otherwise agree, the Borrower shall:
- (a) for the financial year commencing 1 January 2018, ensure that the free cash flows of the Borrower is at least 0.9 times the debt service requirements of the Borrower for the same period on all debt;
 - (b) for the financial year commencing 1 January 2019, ensure that the free cash flows of the Borrower is at least 1.0 times the debt

service requirements of the Borrower for the same period on all debt; and

- (c) for the financial year commencing on 1 January 2020 and each financial year thereafter, ensure that the free cash flows of the Borrower is at least 1.2 times the debt service requirements of the Borrower for the same period on all debt.

14. For the purpose of paragraphs 13 and 14 of this Schedule:

- (a) the term "free cash flows" means the difference between: (i) the sum of revenues from all sources related to operations, after making adequate provisions for uncollectible debts, adjusted to take account of the Borrower's rates, dues or other such receivables accrued at the time of the incurrence of debt, and net non-operating income; and (ii) the sum of all expenses related to operations, including administration, maintenance, current taxes and payments in lieu of current taxes (but excluding provision for depreciation, other non-cash operating charges, and deferred taxes), movements in working capital other than cash; and
- (b) the terms "net non-operating income", "working capital other than cash", "debt", "debt service requirements", "next financial year", and "operations", shall have the same meanings as defined in subparagraphs 16(b), (c), (f), (g), (i) and (j) of this Schedule, respectively.

15. Except as ADB may otherwise agree, the Borrower shall for the financial year commencing 1 January 2018 and each financial year thereafter generate cash from internal sources equivalent to not less than 20% of the average of the Borrower's capital expenditures incurred, or expected to be incurred, for the previous financial year, the current financial year, and the next financial year.

16. For the purpose of paragraphs 15 and 16 of this Schedule:

- (a) the term "cash from internal sources" means the difference between: (i) the sum of cash flows from all sources related to operations, plus cash generated from consumer deposits and consumer advances of any kind, sale of assets, cash yield of interest on investments, extraordinary gains, and net non-operating income, decrease in working capital other than cash, and other cash inflows; and (ii) the sum of all expenses related to operations, including administration, adequate maintenance, and current taxes and payments in lieu of taxes (excluding provision for depreciation, other non-cash operating charges and taxes), debt service requirements, extraordinary losses, all cash dividends paid and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures;

- (b) the term "net non-operating income" means the difference between: (i) revenues from all sources other than those related to operations, after making adequate provisions for uncollectible debts; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) hereinabove;
- (c) the term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each financial year;
- (d) the term "current assets excluding cash" means all assets other than cash which can, in the ordinary course of business, be converted into cash within 12 months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next financial year;
- (e) the term "current liabilities" means all liabilities which will become due and payable, or could under circumstances then existing be called for payment, within 12 months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends;
- (f) the term "debt" means any indebtedness of the Borrower maturing by its terms more than 1 year after the date on which it is originally incurred. The debt shall be deemed to be incurred: (i) under a loan contract or agreement, or conditional sale or transfer or financing lease agreement or other instrument providing for such debt, or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into. financial liabilities incurred by the Borrower who is a lessee under finance leasing agreements may also be included as debt;
- (g) the term "debt service requirements" means the aggregate amount of all repayments (including sinking fund payments and lease payments under finance leases, if any), whether or not actually paid, and interest and other charges on debt. Interest charges which are incurred in financing capital expenditures during development are excluded, if such charges are capitalized;
- (h) the term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations;
- (i) the projections for the "next financial year" will be based on the Borrower's 10-year financial projections, updated at least annually, and will include its investment program, financial plan, income statements, cash flow and balance sheets with all its assumptions,

provided annually to ADB as of 30 September of each financial year; and

- (j) the terms "operations" or "operating" mean all the businesses of the Borrower, including without limitation its generation, transmission and distribution operations, and any other businesses in which the Borrower is or may become engaged.

17. (a) The Borrower shall achieve a current ratio of at least:
- (i) 0.90 for the financial year commencing 1 January 2018;
 - (ii) 0.95 for the financial year commencing 1 January 2019; and
 - (iii) 1.00 for the financial year commencing 1 January 2020 and each financial year thereafter.

(b) For the purpose of subparagraph (a) hereinabove, the term "current ratio" shall mean the ratio of current assets, including cash, to current liabilities, both terms as defined in subparagraphs 16(d) and (e) of this Schedule.

18. (a) The Borrower shall maintain a corporate debt to equity ratio of not more than 1 to 1.

(b) For purpose of subparagraph (a) hereinabove:

- (i) the term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities; and
- (ii) the term "debt" means any outstanding indebtedness of the Borrower, but excluding any amount due for payment within 1 year of the date as of which this ratio is computed.

19. (a) Before 30 September of each financial year, the Borrower shall: (i) on basis of forecasts prepared by the Borrower and satisfactory to ADB, review whether it will meet the requirements set forth in paragraphs 13, 15, 17 and 18 of this Schedule in respect of such financial year and the following financial year; and (ii) furnish to ADB a copy of such review.

(b) Whenever for the purposes of this Loan Agreement, it shall be necessary to value in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

Operational Performance Covenants

20. The Borrower shall:
- (a) provide ADB draft annual financial statements of the Borrower as soon as they are available;
 - (b) recruit an experienced treasury management professional to head the Borrower's new treasury management unit, and appoint a full-time qualified accountant in the project management unit, within 3 months of the date of this Loan Agreement;
 - (c) submit to the Borrower's board of directors a management information system strategy and road plan with a particular focus on the Borrower financial management for its approval within 6 months of the date of this Loan Agreement;
 - (d) establish the required infrastructure to monitor and report performances, and finalize the "energy balance" of each distribution substation, by 31 December 2017;
 - (e) publish reliability and other performance indices for year 2016 by 31 March 2017;
 - (f) publish performance indices and "energy balance" of each distribution substation for year 2017 by 31 March 2018; and
 - (g) collaborate with the Ministry of Power and Renewable Energy of the Guarantor to ensure the issuance of the Electricity Distribution Performance Regulations, the Electricity Transmission Performance Regulations and the Demand Management Regulations by 31 December 2016.

Governance and Anticorruption

21. The Borrower 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 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.