
LOAN NUMBER 3328-PAK

LOAN NUMBER 3329-PAK (SF)

PROJECT AGREEMENT

(Second Power Distribution Enhancement Investment Program - Project 1)

between

ASIAN DEVELOPMENT BANK

and

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
GUJRANWALA ELECTRIC POWER COMPANY LIMITED
HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
LAHORE ELECTRIC SUPPLY COMPANY LIMITED
MULTAN ELECTRIC POWER COMPANY LIMITED
PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED
QUETTA ELECTRIC SUPPLY COMPANY LIMITED
SUKKUR ELECTRIC POWER COMPANY LIMITED

DATED 19th November 2016

PAK 47190

PROJECT AGREEMENT

PROJECT AGREEMENT dated 19th November 2016 between ASIAN DEVELOPMENT BANK ("ADB") on the one part, and FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED ("FESCO"), GUJRANWALA ELECTRIC POWER COMPANY LIMITED ("GEPCO"), HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED ("HESCO"), ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED ("IESCO"), LAHORE ELECTRIC SUPPLY COMPANY LIMITED ("LESCO"), MULTAN ELECTRIC POWER COMPANY LIMITED ("MEPCO"), PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED ("PESCO"), QUETTA ELECTRIC SUPPLY COMPANY LIMITED ("QESCO"), and SUKKUR ELECTRIC POWER COMPANY LIMITED ("SEPCO") on the other part.

WHEREAS

(A) by a Loan Agreement of even date herewith between the Islamic Republic of Pakistan ("Borrower") and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to make to the Borrower a loan ("Ordinary Operations Loan") of three hundred eighty million Dollars (\$380,000,000) on the terms and conditions set forth in the Ordinary Operations Loan Agreement;

(B) by a Loan Agreement of even date herewith between the Borrower and ADB ("Special Operations Loan Agreement", and, together with the Ordinary Operations Loan Agreement, "Loan Agreements"), ADB has agreed to make to the Borrower a loan ("Special Operations Loan", and, together with the Ordinary Operations Loan, "Loans") of fourteen million two hundred eighty thousand Special Drawing Rights (SDR 14,208,000) on the terms and conditions set forth in the Special Operations Loan Agreement;

(C) ADB has agreed to make the Loans only on the condition that the proceeds of the Ordinary Operations Loan be made available to IESCO and LESCO; that the proceeds of the Special Operations Loan be made available to FESCO, GEPCO, HESCO, IESCO, LESCO, MEPCO, PESCO, QESCO and SEPCO (individually and collectively, "DISCO"); and that each DISCO agree to undertake certain obligations towards ADB set forth herein; and

(D) each DISCO, in consideration of ADB entering into the Loan Agreements with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreements and in the Loan Regulations (as defined in each of the Loan Agreements) have the respective meanings therein set forth, except that, for the purposes of this Project Agreement, the term

"Project" means, for each DISCO, its respective portion/s of, or subproject/s under, the project described in Schedule 1 to the Ordinary Operations Loan Agreement.

ARTICLE II

Particular Covenants

Section 2.01. (a) Each DISCO shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, each DISCO shall perform all obligations set forth in the Loan Agreements to the extent that they are applicable to the DISCO and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. Each DISCO shall make available, promptly as needed, the funds, facilities, services and other resources as required, in addition to the proceeds of the Loans, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, each DISCO shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, each DISCO shall procure all items of expenditures to be financed out of the proceeds of the Loans in accordance with the provisions of Schedule 4 to the Ordinary Operations Loan Agreement and Schedule 3 to the Special Operations Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. Each DISCO shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Each DISCO shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) Each DISCO shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, IESCO and LESCO undertake to insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. Each DISCO shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loans, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB and each DISCO shall cooperate fully to ensure that the purposes of the Loans will be accomplished.

(b) Each DISCO shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the Relending Agreements, or the accomplishment of the purposes of the Loans.

(c) ADB and each DISCO shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, the DISCO and the Loans.

Section 2.08. (a) Each DISCO shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loans and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of the DISCO; and (v) any other matters relating to the purposes of the Loans.

(b) Without limiting the generality of the foregoing, each DISCO shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, each DISCO shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the DISCO of its obligations under this Project Agreement and the accomplishment of the purposes of the Loans.

Section 2.09. (a) Each DISCO shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements for the Project audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements and use of the proceeds of the Loans) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and

management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) In addition to the annual audited financial statements referred to in subsection (a) hereinabove, each of IESCO and LESCO shall (i) provide its annual financial statements prepared in accordance with national accrual-based 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 international standards for auditing or the national equivalent acceptable to ADB; (iii) as part of each such audit, have the auditors render an opinion on the compliance with the financial covenants under the Ordinary Operations 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 opinion 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) Each DISCO shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the DISCO and its financial affairs where they relate to the Project with the auditors appointed by the DISCO pursuant to subsections (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 DISCO, unless the DISCO shall otherwise agree.

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

Section 2.11. (a) Each DISCO shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its operations.

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

(c) Each DISCO shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, each DISCO shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, each DISCO shall apply the proceeds of the Loans to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreements and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, each DISCO shall duly perform all its obligations under its Relending Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Relending Agreement.

Section 2.15. Each DISCO shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its charter or license, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. Each DISCO shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

ARTICLE III

Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreements have come into force and effect. ADB shall promptly notify each DISCO of such date.

Section 3.02. (a) This Project Agreement and all obligations of the parties hereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Loan Agreements shall terminate in accordance with their terms; or
- (ii) a date 7 years after the date of this Project Agreement.

(b) If the Loan Agreements terminate in accordance with their terms before the date specified in subsection (a)(ii) hereinabove, ADB shall promptly notify each DISCO of this event.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreements.

ARTICLE IV**Miscellaneous**

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2428

For FESCO

Chief Executive Officer
West Canal Road, Abdullah Pur
Faisalabad, Pakistan

Facsimile Number:

(92-41) 922-0233

For GEPCO

Chief Executive Officer
Gujranwala Electric Power Company
565-A, Model Town, GT Road
Gujranwala, Pakistan

Facsimile Number:

92 55 9200122

For HESCO

Chief Executive Officer
Hyderabad Electric Supply Company
Wapda Office Complex, Hussainabad
Hyderabad, Pakistan

Facsimile Number:

92 22 9260361

For IESCO

Chief Executive Officer
Islamabad Electric Supply Company
Islamabad, Pakistan

Facsimile Number:

92 51 9252893

For LESCO

Chief Executive Officer
Lahore Electric Supply Company
22-A, Queens Road
Lahore, Pakistan

Facsimile Number:

92 42 99204803

For MEPCO

Chief Executive Officer
Multan Electric Power Company
MEPCO Complex, Khanewal Road
Multan, Pakistan]

Facsimile Numbers:

92 61 9220222

92 61 9220089

For PESCO

Chief Executive Officer
Peshawar Electric Supply Company
WAPDA House, Sakhi Chesma, Shami Road
Peshawar, Pakistan

Facsimile Numbers:

92 91 9212024
92 91 9212335

For QESCO

Chief Executive Officer
Quetta Electric Supply Company
Zarghoon Road
Quetta, Pakistan

Facsimile Numbers:

92 81 9202211
92 81 2836554

For SEPCO

Chief Executive Officer
Sukkur Electric Power Company
Old Thermal Power House
Sukkur

Facsimile Number:

92 71 9310801.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement or under Section 7.01 of the Loan Agreements by or on behalf of a DISCO may be taken or executed by its Chief Executive Officer or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) Each DISCO shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names as of the day and year first above written, and to be delivered at the principal office of ADB.

ASIAN DEVELOPMENT BANK

By


Authorized Representative

FAISALABAD ELECTRIC SUPPLY
COMPANY LIMITED

By


Authorized Representative

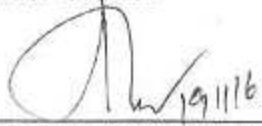
GUJRANWALA ELECTRIC POWER
COMPANY LIMITED

By


Authorized Representative 16/11/2016

HYDERABAD ELECTRIC SUPPLY
COMPANY LIMITED

By


Authorized Representative 16/11/16

ISLAMABAD ELECTRIC SUPPLY
COMPANY LIMITED

By 
Authorized Representative


LAHORE ELECTRIC SUPPLY
COMPANY LIMITED

By 
Authorized Representative

MULTAN ELECTRIC POWER
COMPANY LIMITED

By 
Authorized Representative

PESHAWAR ELECTRIC SUPPLY
COMPANY LIMITED

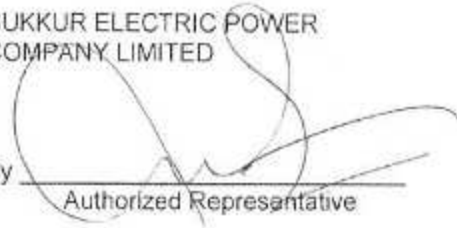
By 
Authorized Representative

QUETTA ELECTRIC SUPPLY
COMPANY LIMITED

By 
Authorized Representative

SUKKUR ELECTRIC POWER
COMPANY LIMITED

By

A large, stylized handwritten signature in black ink, written over a horizontal line.

Authorized Representative

SCHEDULE

Execution of Project; Financial Matters

Implementation Arrangements

1. Each of IESCO and LESCO shall be an implementing agency for its respective portion of the investment component of the project described in paragraphs 3(a) to 3(d) of Schedule 1 to the Ordinary Operations Loan Agreement.
2. Each DISCO shall be an implementing agency for its respective portion of the support component of the project described in paragraphs 3(e) to 3(g) of Schedule 1 to the Ordinary Operations Loan Agreement.
3. Each DISCO shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM on one hand, and the Loan Agreements and the Project Agreement on the other, the provisions of the Loan Agreements and the Project Agreement shall prevail.
4. Each DISCO shall ensure that all documents forming the basis for the screening, selection and processing of the Project and Project activities shall be made available by the DISCO to ADB upon request. Such documents shall be kept available for a minimum period of 5 years from the date of the Project completion report.

Operation and Maintenance

5. Each of IESCO and LESCO shall operate and maintain the AMI system and equipment installed under the Project and provide proper technical supervision and adequate funds for the purpose. The funds required for the operation and maintenance of the AMI system and equipment shall be allocated annually and released promptly. Each of IESCO and LESCO shall prepare and adopt an operation and maintenance plan for the AMI system and equipment that is in accordance with national technical standards and rules or is otherwise acceptable to ADB.

Other Operational Covenants

6. Each DISCO shall ensure that the project management unit and project implementation unit at the DISCO are adequately staffed throughout the entire life of the Project. The staff assigned shall be retained in the units for at least 3 years from the commencement of their assignment and any changes to key staff will need the prior approval of the Board of Directors of the DISCO.
7. Each DISCO shall ensure that the implementation of the Project is in compliance with all applicable laws, rules and regulations of the Borrower, including any law, rule or regulation which might require the approval of the National Electric Power Regulatory Authority for any aspect of the Project, including any change in the commercial procedures of the DISCO in connection with the implementation of the Project.

Schedule

8. Each DISCO shall preserve its legal, operational, and financial autonomy. Each DISCO shall ensure that its Board of Directors operates effectively and discharges fully their fiduciary responsibilities in accordance with the Memorandum and Articles of Association of the DISCO.

9. Each DISCO shall ensure that any change in the ownership of such DISCO or sale, transfer, or assignment of the Borrower's interest or shares in such DISCO shall be formally approved and implemented only after consultation with ADB at least 3 months prior to the change in ownership, sale, transfer or assignment; provided that, if the change in ownership, sale, transfer or assignment is in connection with a privatization of such DISCO, then the provisions of paragraphs 17 and 18 of this Schedule shall apply.

10. Each DISCO shall make available and timely release its counterpart funding for the Project.

11. Each of IESCO and LESCO shall submit tariff petitions as required to maintain its financial viability.

12. Each of IESCO and LESCO shall ensure that any government entity failing to pay in full its receivables on account of electricity consumption is disconnected from electricity service in the same manner as any similarly defaulting private customer, subject to compliance by each of IESCO and LESCO, as the case may be, with all notice periods prescribed by applicable law and its own commercial procedures. (Government entities which are exempt from disconnection by law or judicial order, or pursuant to the list of exempt government entities of IESCO or LESCO, as the case may be, shall not be covered by this covenant.)

Financial Covenants

13. Each of IESCO and LESCO shall ensure that, during the term of the Ordinary Operations Loan Agreement, its free cash flows for the current Financial Year shall be at least 1.2 times its debt service requirements for the same period on all debt based on its financial statements which shall be prepared in accordance with IFRS. For the purposes of this paragraph:

- (a) "debt" means any indebtedness of the respective DISCO maturing by its term more than 1 year from the date on which it was originally incurred;
- (b) "debt service requirements" means the aggregate amount of all repayments (including sinking fund payments, lease payments under finance lease, if any) whether or not actually paid, and interest and other charges on debt, provided that interest charges which are incurred in financing capital expenditures during development are excluded if they are capitalized; and
- (c) "free cash flows" means the difference between (i) the sum of revenues from all sources related to operations, after making adequate provision for uncollectible debt and net non-operating income; and (ii)

Schedule

the sum of all expenses related to operations including administration, maintenance, current taxes and payments in lieu of taxes (but excluding provision for depreciation, other non-cash expenses, and deferred taxes), movements in working capital other than cash.

14. Each of IESCO and LESCO shall ensure that:
- (a) For the Financial Years 2017/2018 and 2018/2019, its accounts receivable as at the end of each Financial Year divided by its annual revenues for the respective category of customers for that Financial Year divided by 360 days shall be: (i) less than 30 days for the private customers; and (ii) less than 75 days for the public customers, based on its financial statements which shall be prepared in accordance with IFRS; and
 - (b) From the Financial Year 2019/2020 and for each Financial Year thereafter during the term of the Ordinary Operations Loan Agreement, its accounts receivable as at the end of the Financial Year divided by its annual revenues for the respective category of customers for that Financial Year divided by 360 days shall be: (i) less than 25 days for the private customers; and (ii) less than 60 days for the public customers, based on its financial statements which shall be prepared in accordance with IFRS.

For the purposes of this paragraph:

- (1) "accounts receivable" means amounts due from others for goods and services delivered in the normal course of business;
 - (2) "annual revenues" means the inflows of assets from selling goods and providing services to customers within the current Financial Year, including the reduction of liabilities from selling goods and providing services to customers;
 - (3) "private customers" means any and all customers that are not public customers; and
 - (4) "public customers" means any and all ministries, agencies, and instrumentalities of the government of the Borrower, including any and all companies and other entities owned and controlled by the Borrower.
15. Each of IESCO and LESCO shall ensure that, for the Financial Year 2015/2016 and for each Financial Year thereafter during the term of the Ordinary Operations Loan Agreement, each of IESCO and LESCO shall maintain a self-financing ratio of at least 20%. For the purposes of this paragraph, "self-financing ratio" means the division of cash from internal sources over average annual capital expenditures, expressed as a percentage, as defined in ADB's Financial Management and Analysis of Projects Guidelines (2006).

SchedulePolicy Dialogue

16. Each DISCO shall ensure that ADB is kept informed of the Borrower's policies and programs related to the power sector, particularly those that relate to the power distribution sector, tariff rationalization, or any policy or program that could materially affect the financial viability of the DISCO or the Project.

Privatization

17. Notwithstanding any other provision of this Project Agreement, each DISCO shall ensure that any privatization of such DISCO shall be formally approved only after consultation with ADB. Each DISCO shall promptly notify ADB of any plan to privatize such DISCO and discuss the plan with ADB. As part of the discussion, such DISCO shall submit to ADB periodic updates on the progress of the privatization and allow ADB sufficient opportunity and information to consider the plan. Such DISCO shall ensure that ADB's consent is obtained prior to any transfer of the business and assets of such DISCO and substitution of such DISCO as implementing agency for the Project.

18. In case the business and assets of a DISCO are transferred as a result of its privatization, such DISCO shall cause the transferee to enter into a project agreement with ADB and ensure that the proceeds of the Ordinary Operations Loan and/or Special Operations Loan, as the case may be, are relent to the transferee on terms and conditions satisfactory to ADB. Where necessary or appropriate in connection with the relending, such DISCO shall assign or transfer its rights and obligations under its Relending Agreement to the transferee.

Safeguards

19. Each of IESCO and LESCO shall ensure that the Project does not have any environmental, indigenous peoples or involuntary resettlement impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, each of IESCO and LESCO shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower, with the SPS, and with the EARF and/or RF as applicable. In all cases, each of IESCO and LESCO shall comply with all applicable laws and regulations of the Borrower relating to environment, health and safety during the implementation of the Project.

20. Each DISCO shall ensure that no proceeds of the Loans are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

21. Each DISCO shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. Each DISCO shall include specific provisions in the bidding documents and contracts financed under the Project requiring that the contractors, other provider of goods and services and their subcontractors: (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 by providing, inter alia,

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equal pay for men and women or people from different ethnic groups for work of equal value, and to the extent possible, employing women and local people, including disadvantaged people, living in the Project area, provided that the requirements for efficiency are adequately met; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

22. Each DISCO shall strictly monitor compliance with the labor standards and provide ADB with regular reports.

Gender and Development

23. Each of IESCO and LESCO shall ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area consistent with ADB's Policy on Gender and Development (1998) are followed during implementation of the Project, including (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.

Governance and Anticorruption

24. Each DISCO 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.

25. Each DISCO 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. Each DISCO shall allow and assist ADB's representatives to carry out random spot checks on the work in progress under the Project and the utilization of funds under the Loan Agreements.

26. Each DISCO shall provide updated information on the Project on the DISCO's website, including information on the performance of the Project, business opportunities, bidding process and guidelines, outcome of biddings and summary progress reports.