
LOAN NUMBER 3146-SRI

LOAN AGREEMENT
(Special Operations)

(Green Power Development and Energy Efficiency Improvement Investment Program -
Project 1)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

ASIAN DEVELOPMENT BANK

DATED 20 NOVEMBER 2014

SRI 47037

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 20 November 2014 between the Democratic Socialist Republic of Sri Lanka ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 19 May 2014 between the Borrower and ADB, ADB has agreed to provide a multitranches financing facility to the Borrower for purposes of financing projects under the Green Power Development and Energy Efficiency Improvement Investment Program;

(B) by a periodic financing request dated 19 May 2014, the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) by a loan agreement of even date herewith ("Ordinary Operations Loan Agreement"), ADB has agreed to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred twenty one million Dollars (\$121,000,000) for the purposes of the Project;

(D) the Borrower has also applied to Agence Française de Développement ("AFD") for a loan equivalent to thirty million Dollars (\$30,000,000) for the purposes of cofinancing expenditures under the Project ("AFD Loan");

(E) by a cofinancing agreement to be entered into between ADB and AFD ("Cofinancing Agreement"), ADB will partially administer the AFD Loan on the terms and conditions set out in the Cofinancing Agreement;

(F) the Borrower intends to borrow the AFD Loan under a Credit Facility Agreement to be entered into between AFD and the Borrower (the "AFD Credit Facility Agreement");

(G) the Project will be carried out by the Ministry of Power and Energy ("MOPE") acting through the Ceylon Electricity Board ("CEB") and for this purpose the Borrower will make available to CEB the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(H) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the CEB;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("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 2.01(25) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and CEB.
- (b) The term "Project Executing Agency" appearing in Section 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the term "CEB".

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 have the following meanings:

- (a) "CEB" means the Ceylon Electricity Board established under the CEB Act No.17 of 1969, or any successor thereto acceptable to ADB;
- (b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (c) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in subparagraph 3(e) of Schedule 1 to this Loan Agreement;
- (d) "Environmental Assessment and Review Framework" or "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;
- (e) "Environmental Impact Assessment" or "EIA" means each environmental impact assessment for the Project including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;
- (f) "Environmental Management Plan" or "EMP" means each environmental management plan for the Project, including any update thereto, incorporated in the respective EIA or IEE;
- (g) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(h) “Facility” means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program

(i) “FAM” means the Facility administration manual dated 19 May 2014 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;

(j) “FFA” means the framework financing agreement dated 19 May 2014 between ADB and the Borrower with respect to the Facility;

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

(l) “Indigenous Peoples Plan” or “IPP” means each indigenous peoples plan for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the IPPF and cleared by ADB;

(m) “Indigenous Peoples Planning Framework” or “IPPF” means the indigenous peoples planning framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(n) “Indigenous Peoples Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(o) “Initial Environmental Examination” or “IEE” means each initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(p) “Investment Program” means the Green Power Development and Energy Efficiency Improvement Investment Program;

(q) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(r) “kV” means kilovolt;

(s) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(t) “Mahaweli Authority” means the Mahaweli Authority of Sri Lanka, or any successor thereto;

(u) “MOPE” means the Ministry of Power and Energy of the Borrower, or any successor thereto acceptable to ADB;

(v) “Moragolla Hydropower Plant” means the 30 MW run-of-river hydropower generation facility to be constructed at Moragolla;

- (w) “MW” means megawatt;
- (x) “Part” means a component of the Project, as described in paragraph 3 of Schedule 1 to this Loan Agreement;
- (y) “PFR” means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 19 May 2014;
- (z) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);
- (aa) “Procurement Plan” means the procurement plan for the Project dated 19 May 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;
- (bb) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MOPE or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (cc) “Resettlement Framework” or “RF” means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;
- (dd) “Resettlement Plan” or “RP” means each resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;
- (ee) “Safeguard Policy Statement” or “SPS” means ADB’s Safeguard Policy Statement (2009);
- (ff) “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, the RP and the IPP (as applicable), including any corrective and preventative actions; and
- (gg) “Works” means construction or civil works to be financed out of the proceeds of the Loan, 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. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to eighteen million seven hundred sixty-eight thousand Special Drawing Rights (SDR 18,768,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in subsection (a) 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 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall provide the proceeds of the Loan to CEB upon terms and conditions satisfactory to ADB and the Borrower.

(b) 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 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. 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 8.02 of the Loan Regulations shall be 31 March 2020 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 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 and the Project Agreement.

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

Section 4.03. 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.

Section 4.04. 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.

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 8.01(m) of the Loan Regulations:

(a) the Borrower shall have failed to perform one or more of its obligations under the Ordinary Operations Loan Agreement; and

(b) the AFD Loan shall have become liable for suspension, cancellation or termination.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Borrower hereby designates the Secretary, Ministry of Power and Energy as its representative for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by the Secretary pursuant to the authority conferred under Section 7.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 7.03. The authority conferred on the Secretary under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VIII

Miscellaneous

Section 8.01. Each of the Secretary, Ministry of Finance and Planning; Deputy Secretary to the Treasury; and Director General, External Resources Department, of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

The Secretary
Ministry of Finance and Planning
Colombo, Sri Lanka

cc: Deputy Secretary to the Treasury
Director General, External Resources Department

Facsimile Numbers:

94 11 243 3349
94 11 244 7633.

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.

DEMOCRATIC SOCIALIST REPUBLIC
OF SRI LANKA

By 
PUNCHI BANDARA JAYASUNDERA
Secretary
Ministry of Finance and Planning

ASIAN DEVELOPMENT BANK

By 
SRI WIDOWATI
Country Director
Sri Lanka Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Investment Program is to enhance clean power generation, system efficiency and reliability.
2. As a part of the Investment Program, the Project aims to increase renewable energy generation, enhance transmission infrastructure, improve network efficiency, and ensure demand side management.
3. The Project shall comprise of the following:
 - (a) Part 1: Hydropower Generation Developed and Connected to the Grid
 - (i) Construction of the Moragolla Hydropower Plant; and
 - (ii) Construction and installation of around 0.5 km, 132 kV associated transmission infrastructure to connect the hydropower generation facility to the grid.
 - (b) Part 2: Enhanced Transmission Infrastructure Capacity
 - (i) Construction and installation of a 220/33 kV grid substation and associated facilities at Kerewalapitiya;
 - (ii) Construction and installation of a 220/132/33 kV grid substation and associated facilities at Kappalturai;
 - (iii) Construction and installation of a 132/33 kV grid substation and associated facilities at Kalutara;
 - (iv) Construction and installation of a 132/33 kV grid substation and associated facilities at Kesbewa;
 - (v) Augmentation of a 132/33 kV grid substation in Katunayake; and
 - (vi) Augmentation of a 132/33 kV grid substation in old Anuradhapura.
 - (c) Part 3: Efficiency of Medium Voltage Network Improved

Installation of around 92 km of 33 kV medium voltage lines and gantries around Vavunativu and Madampe.
 - (d) Part 4: Demand Side Management for Energy Efficiency Improved

Implementation of energy saving pilot subprojects in Colombo through:

 - (i) use of smart grid and metering technologies;

- (ii) retrofitting buildings with smart energy saving technology including building automation; and
 - (iii) installing cold thermal storage in selected buildings.
- (e) Part 5: Capacity development support provided

Provision of consulting support for (i) institutional capacity for power sector development, system operation and dispatching, and energy efficiency improvement; and (ii) project management including implementation supervision, monitoring and preparation of new projects for the second tranche.

4. The Project is expected to be completed by 30 September 2019.

SCHEDULE 2**Amortization Schedule**

**(Green Power Development and Energy Efficiency Improvement Investment Program -
Project 1)**

<u>Date Payment Due</u>	Payment of Principal (expressed in Special Drawing Rights)*
15 December 2019	469,200.00
15 June 2020	469,200.00
15 December 2020	469,200.00
15 June 2021	469,200.00
15 December 2021	469,200.00
15 June 2022	469,200.00
15 December 2022	469,200.00
15 June 2023	469,200.00
15 December 2023	469,200.00
15 June 2024	469,200.00
15 December 2024	469,200.00
15 June 2025	469,200.00
15 December 2025	469,200.00
15 June 2026	469,200.00
15 December 2026	469,200.00
15 June 2027	469,200.00
15 December 2027	469,200.00
15 June 2028	469,200.00
15 December 2028	469,200.00
15 June 2029	469,200.00
15 December 2029	469,200.00
15 June 2030	469,200.00
15 December 2030	469,200.00
15 June 2031	469,200.00
15 December 2031	469,200.00
15 June 2032	469,200.00
15 December 2032	469,200.00
15 June 2033	469,200.00
15 December 2033	469,200.00
15 June 2034	469,200.00
15 December 2034	469,200.00
15 June 2035	469,200.00
15 December 2035	469,200.00
15 June 2036	469,200.00
15 December 2036	469,200.00

15 June 2037	469,200.00
15 December 2037	469,200.00
15 June 2038	469,200.00
15 December 2038	469,200.00
15 June 2039	469,200.00
Total	18,768,000.00

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

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.

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 for reimbursement 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 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 the Loan proceeds have been made available to CEB in a manner satisfactory to ADB and the Borrower.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Green Power Development and Energy Efficiency Improvement Investment Program - Project 1)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Works **	2,019,000	4.66% of total expenditure claimed *
2	Equipment**	7,773,000	17.37% of total expenditure claimed *
3	Consulting Services**	8,976,000	100% of total expenditure claimed *
	Total	18,768,000	

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

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

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the following method of procurement: International Competitive Bidding.
4. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Conditions for Award of Contract

5. The Borrower and CEB shall not award any Works contract for a subproject under the Project which involves environmental impacts until:
 - (a) the Borrower's Central Environmental Agency has granted the final approval of the EIA or IEE; and
 - (b) the Borrower or CEB have incorporated the relevant provisions from the EMP into the Works contract.
6. The Borrower and CEB shall not award any Works contract involving involuntary resettlement impacts for a subproject under the Project until the Borrower has prepared and submitted to ADB the final RP for such subproject based on the subproject's detailed design, and obtained ADB's clearance of such RP.
7. The Borrower and CEB shall not award any Works contract for the Moragolla Hydropower Plant until CEB and the Mahaweli Authority have entered into an agreement in accordance with paragraph 7 of Schedule 5 to this Loan Agreement.

Consulting Services

8. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

9. The Borrower shall recruit the individual consultants in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

10. (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.

11. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

12. Contracts procured under international competitive bidding procedures and contracts for Consulting Services 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 CEB 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 and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Counterpart Funds

2. The Borrower shall ensure that CEB makes available all counterpart funds required for the timely and effective implementation of the Project including any funds required to make land available for the Project, to mitigate unforeseen environmental, resettlement and other social impacts, and to meet additional costs arising from design changes, price escalation in construction costs or other unforeseen circumstances.

CEB Financial Management

3. CEB shall ensure that its accounts receivables do not exceed 60 days on average.

Selection of Buildings for Cold Thermal Storage Pilot

4. CEB shall ensure that the facilities selected for implementation of the cold thermal storage pilot under Part 4 of the Project (a) have significant air conditioning requirements and systems in place and chilled water/ice requirements during day time and evening peak time; and (b) are acceptable to ADB.

Environment

5. The Borrower and CEB shall 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; (c) the EARF; and (d) all measures and requirements set forth in a respective IEE or EIA and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

6. By December 2015, CEB shall undertake, to the satisfaction of ADB, (a) dry and wet season fisheries surveys for the endangered Green Labeo fish on the stretch of Mahaweli River from around the site of the Moragolla Hydropower Plant tail race and the confluence with the Atabage Oya to an appropriate point downstream on the Mahaweli River; and (b) collect hourly, daily and monthly flow data on the Mahaweli River downstream of the Moragolla Hydropower Plant tail race and the confluence with the Atabage Oya over the period of January 2015 to December 2015 to identify the minimum required downstream environmental river flows during the dry and wet seasons to satisfy the critical habitat requirements of the Safeguard Policy Statement. CEB shall ensure that such minimum

required downstream environmental river flows are maintained following completion of the Moragolla Hydropower Plant to avoid any measurable adverse impacts on the habitat of the endangered Green Labeo fish.

7. CEB shall enter into an agreement with the Mahaweli Authority, acceptable to ADB, which shall, *inter alia*, set out (a) to the extent possible, the minimum hourly, daily, and monthly environmental river flows downstream of the Moragolla Hydropower Plant tail race during the dry and wet seasons; and (b) a regulatory mechanism for the coordinated operation of the Moragolla Hydropower Plant following its construction and the existing Kotmale hydropower plant to ensure that, at all times, adequate downstream flows are released to avoid any measurable adverse impacts on the Green Labeo fishery and maintain the population of the endangered Green Labeo fish inhabiting the Mahaweli River downstream of the tail race of the proposed Moragolla Hydropower Plant and the confluence of the Atabage Oya with the Mahaweli River.

8. Within 180 days of the Effective Date, CEB shall establish an Environment Management Office, acceptable to ADB, which shall be responsible for (a) the environmental monitoring of construction activities of the Moragolla Hydropower Plant; and (b) implementation of the relevant EMP for the Moragolla Hydropower Plant including monitoring of the Green Labeo fishery and downstream minimum environmental river flows during operations of the Moragolla Hydropower Plant.

Land Acquisition and Involuntary Resettlement

9. The Borrower and CEB shall ensure that all land and all rights-of-way required for the Project and all Project facilities 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; (c) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

10. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or an RP, the Borrower and CEB 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

11. The Borrower shall ensure or cause the CEB to ensure that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; (c) the IPPF; and (d) all measures and

requirements set forth in the respective IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

12. The Borrower shall make available or cause the CEB to make available necessary budgetary and human resources to fully implement the EMP, the RP and the IPP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

13. The Borrower and CEB shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in an IEE or EIA, the EMP, the RP and the IPP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in an IEE or EIA, the EMP, the RP or the IPP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

14. The Borrower shall do the following or shall cause the CEB to do the following:

- (a) submit quarterly 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 an EIA or IEE, the EMP, the RP or the IPP, 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 of the Effective Date, engage qualified and experienced external experts 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, the RP or the IPP promptly after becoming aware of the breach.

Prohibited List of Investments

15. The Borrower shall ensure or cause the CEB to 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.

Grievance Redress Mechanism

16. Within 90 days of the Effective Date, CEB shall establish a grievance redress mechanism, acceptable to ADB, to receive and facilitate resolution of affected people's concerns, complaints and grievances relating to the Project's land acquisition, resettlement and environmental impacts. Such Grievance Redress Mechanism shall provide a time-bound and transparent mechanism to resolve environmental, land acquisition and resettlement and other social concerns related to the Project. The Borrower, through the MOPE and CEB, shall (a) make the existence of this grievance redress mechanism publically known; and (b) proactively and constructively review and redress grievances of affected people in relation to the Project.

Labor Standards

17. The Borrower and CEB shall ensure that all civil works contracts and bidding documents for the Project include specific provisions requiring contractors to (a) comply with all applicable labor laws of the Borrower on the prohibition of child and forced labor; (b) give equal pay for equal work regardless of gender, ethnicity or caste; and (c) disseminate information on sexually transmitted diseases (including HIV/AIDS) and human trafficking to employees and local communities surrounding the Project construction sites.

Governance and Corruption

18. The Borrower and CEB shall comply with ADB's Anticorruption Policy (1998, as amended to date) and cooperate with any investigation by ADB and extend all necessary assistance for satisfactory completion of such investigation.

19. The Borrower and CEB 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.

Project Website

20. Within 90 days of the Effective Date, CEB shall update its website to include information on (a) bidding procedures, bidders, and contract awards; (b) use of the funds disbursed under the Project; and (c) physical progress of the Project.