
LOAN NUMBER 3087-BAN

PROJECT AGREEMENT

(Power System Expansion and Efficiency Improvement Investment Program – Tranche 2)

between

ASIAN DEVELOPMENT BANK

and

POWER GRID COMPANY OF BANGLADESH LIMITED

DHAKA POWER DISTRIBUTION COMPANY LIMITED

DHAKA ELECTRIC SUPPLY COMPANY LIMITED

DATED 11 FEBRUARY 2014

BAN 42378

PROJECT AGREEMENT

PROJECT AGREEMENT dated 11 February 2014 between ASIAN DEVELOPMENT BANK ("ADB") of the one part and POWER GRID COMPANY OF BANGLADESH LIMITED ("PGCB"), DHAKA POWER DISTRIBUTION COMPANY LIMITED ("DPDC") and DHAKA ELECTRIC SUPPLY COMPANY LIMITED ("DESCO") of the other part.

WHEREAS

(A) by a Loan Agreement of even date herewith entered between ADB and the Borrower, ADB has agreed to provide to the Borrower a loan from ADB's ordinary capital resources for an amount of three hundred ten million Dollars (\$310,000,000) on the terms and conditions set forth in the Loan Agreement;

(B) ADB has agreed to make the Loan only on the condition that the proceeds of the Loan be made available to PGCB, DPDC and DESCO and that PGCB, DPDC and DESCO agree to undertake obligations towards ADB as set forth hereinafter in this Project Agreement; and

(C) PGCB, DPDC and DESCO in consideration of ADB entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations set forth in this Project Agreement;

NOW THEREFORE the parties 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 Agreement and in the Loan Regulations have the respective meanings therein set forth, except that for the purpose of this Project Agreement, the term Project means (a) Part A of the Project for PGCB, Part B for DPDC and Part C for DESCO, as described in Schedule 1 to the Loan Agreement.

ARTICLE II

Particular Covenants

Section 2.01. (a) PGCB, DPDC and DESCO shall carry out the Project with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental and power sector practices.

(b) In the carrying out of the Project and operation of the Project facilities, PGCB, DPDC and DESCO shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to PGCB, DPDC and DESCO.

Section 2.02. PGCB, DPDC and DESCO shall make available, promptly as needed, the funds, facilities, services, equipment, and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

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

(b) Except as ADB may otherwise agree, all Goods, Works and Consulting Services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where Goods, Works or Consulting Services have 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. PGCB, DPDC and DESCO shall carry out the Project in accordance with plans, design standards and specifications acceptable to ADB. PGCB, DPDC and DESCO shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards and specifications, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) PGCB, DPDC and DESCO shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB, for insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice. PGCB, DPDC and DESCO shall be deemed to have opted for self-insurance in the absence of any specific insurance for the Project.

(b) Without limiting the generality of the foregoing, PGCB, DPDC and DESCO undertake to insure, or cause to be insured, the Goods to be imported for the Project and to be financed out of the proceeds of the Loan 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. PGCB, DPDC and DESCO shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed

out of the proceeds of the Loan, 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, their operations and financial condition.

Section 2.07. (a) ADB, PGCB, DPDC and DESCO shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) PGCB, DPDC and DESCO shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of their obligations under this Project Agreement, the Loan Agreement or the Subsidiary Loan Agreements, or the accomplishment of the purposes of the Loan.

(c) ADB, PGCB, DPDC and DESCO 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, PGCB, DPDC and DESCO and the Loan.

Section 2.08. (a) PGCB, DPDC and DESCO shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the Goods and Works and Consulting Services financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of PGCB, DPDC and DESCO; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, PGCB, DPDC and DESCO shall furnish to ADB quarterly 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 quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(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, PGCB, DPDC and DESCO 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 PGCB, DPDC and DESCO of their obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) PGCB, DPDC and DESCO 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 use of the Loan proceeds and compliance with the financial covenants of the Loan Agreement [as well as on the use of the procedures for the imprest account(s) and statement of expenditures]) 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) PGCB, DPDC and DESCO shall enable ADB, upon ADB's request, to discuss their respective financial statements for the Project and their financial affairs related to the Project from time to time with the auditors, appointed by PGCB, DPDC and DESCO pursuant to Section 2.09(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of PGCB, DPDC and DESCO unless PGCB, DPDC and DESCO shall otherwise agree.

(c) In addition to annual audited financial statements referred to in subsection (a) hereinabove, PGCB, DPDC and DESCO 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; and (iii) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements 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) PGCB, DPDC and DESCO shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and PGCB's DPDC's and DESCO's financial affairs where they relate to the Project with the auditors appointed by PGCB, DPDC and DESCO 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 PGCB, DPDC and DESCO, unless PGCB, DPDC and DESCO shall otherwise agree.

Section 2.10. PGCB, DPDC and DESCO shall enable ADB's representatives to inspect the Project, the Goods, Works and Consulting Services financed out of the proceeds of the Loan, all other plants, sites, properties and equipment of PGCB, DPDC and DESCO, and any relevant records and documents.

Section 2.11. (a) PGCB, DPDC and DESCO shall, promptly as required, take all action within their powers to maintain their corporate existence, to carry on their 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 their business.

(b) PGCB, DPDC and DESCO shall at all times conduct their business in accordance with sound administrative, financial, environmental and power sector practices, and under the supervision of competent and experienced management and personnel.

(c) PGCB, DPDC and DESCO shall at all times operate and maintain their sites, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, engineering, environmental, power sector, and maintenance and operational practices.

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

Section 2.13. Except as ADB may otherwise agree, PGCB, DPDC and DESCO shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all Goods, Works and Consulting Services financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, PGCB, DPDC and DESCO shall duly perform all of their obligations under their respective Subsidiary Loan Agreements 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 Subsidiary Loan Agreements.

Section 2.15. PGCB, DPDC and DESCO shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of their enabling laws which might affect the Project and shall afford ADB an adequate opportunity to comment on such proposal prior to taking any 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 Agreement shall come into force and effect. ADB shall promptly notify PGCB, DPDC and DESCO of such date.

Section 3.02. 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 or by mail, telegram, cable, telex, facsimile or radiogram 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:

+63 2 636-2444
+63 2 636-2338.

For PGCB

Managing Director
IEB Bhaban (New) 3rd & 4th Floor
Ramna, Dhaka 1000,
Bangladesh

Facsimile Number:

+880 2 958-2382.

For DPDC

Managing Director
Biddut Bhaban (2nd Floor)
1 Abdul Gani Road
Dhaka – 1000,
Bangladesh

Facsimile Number:

+880 2 956-6699.

For DESCO

Managing Director
22/B. Faruq Sarani, Nikunja-2
Dhaka-1229,
Bangladesh

Facsimile Number:

+880 2 890-0100.

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 Agreement by or on behalf of PGCB, DPDC and DESCO may be taken or executed by their respective Managing Directors or by such other person or persons as they shall so designate in writing and notify to ADB.

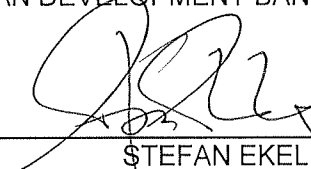
(b) PGCB, DPDC and DESCO shall furnish to ADB sufficient evidence of the authority of each person who will act under paragraph (a) of this Section, together with the authenticated specimen signature of each such person.

Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either 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 and to be delivered at the principal office of ADB, as of the day and year first above written.

ASIAN DEVELOPMENT BANK

By



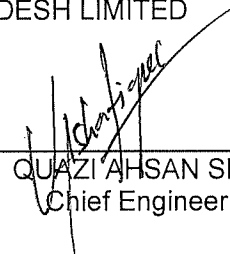
STEFAN EKELUND

Officer-in-Charge

Bangladesh Resident Mission

POWER GRID COMPANY OF
BANGLADESH LIMITED

By

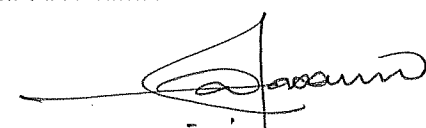


QUAZI AHSAN SHAFIQUE

Chief Engineer, P & D

DHAKA POWER DISTRIBUTION
COMPANY LIMITED

By

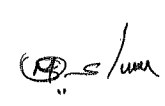


MD. NAZRUL HASAN

Managing Director

DHAKA ELECTRIC SUPPLY COMPANY
LIMITED

By



MD. SHOFIQUEL ISLAM

Company Secretary