
LOAN NUMBER 3555-BAN(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(Third Public-Private Infrastructure Development Facility – Tranche 1)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 19 NOVEMBER 2017

BAN 42180

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 19 November 2017 between PEOPLE'S REPUBLIC OF BANGLADESH ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 8 November 2016 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for the purposes of financing projects under the Third Public-Private Infrastructure Development Facility;

(B) by a periodic financing request dated 8 November 2016, the Borrower has applied to ADB for two loans for the purpose of the Project described in Section 3.01 of this Loan Agreement;

(C) by a loan agreement of even date herewith between the Borrower and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred fifty million Dollars (\$250,000,000) in connection with the Project;

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

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

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations (Concessional) Loan Regulations of ADB, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, 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 IDCOL, as such agreement may be amended from time to time; and such term includes all

agreements supplementary to the Project Agreement and all schedules to the Project Agreement.

- (b) The term "Project Executing Agency" appearing in Sections 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 "IDCOL".

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations and the Ordinary Operations Loan Agreement 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) "Qualified Enterprise" means an enterprise, which satisfies the eligibility criteria set out in paragraph 2(b) of Schedule 2 to this Loan Agreement;
- (b) "Qualified Subproject" means a specific subproject, which satisfies the eligibility criteria set out in paragraph 2(c) of Schedule 2 to this Loan Agreement, to be carried out by a Qualified Enterprise; and
- (c) "Subsidiary Loan Agreement" means the agreement between the Borrower and IDCOL referred to in Section 3.02 of this Loan Agreement.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount in various currencies equivalent to seven million two hundred and twenty-nine thousand Special Drawing Rights (SDR7,229,000).

(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 (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.02. 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.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 May and 15 November 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 1 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

Description of Project; Use of Proceeds of the Loan

Section 3.01. The Project for which the Loan is made is the financing by IDCOL of Qualified Subprojects in the energy efficiency and renewable energy sectors by making Subloans. The Subloans shall comply with (a) the Memorandum and Articles; (b) this Loan Agreement; (c) the Project Agreement; (d) the Subsidiary Loan Agreement; and (e) the Subloan Agreements.

Section 3.02. The Borrower shall relend the proceeds of the Loan to IDCOL in Tk at the interest rate of 3% per annum, a grace period of 5 years and a repayment period of 20 years thereafter under a Subsidiary Loan Agreement, which shall also include provisions for the carrying out of the Project, and the rights of the Borrower and ADB with respect thereto. Such Subsidiary Loan Agreement shall be in such form and have such additional terms and conditions as acceptable to ADB, and shall be without prejudice to, and without limitation on, the obligations of the Borrower under this Loan Agreement.

Section 3.03. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be used only for making Subloans to Qualified Enterprises for Qualified Subprojects and shall be applied exclusively to the cost of Goods, Works and Consulting Services and other items of expenditure required to carry out such Qualified Subprojects.

(b) Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, all Goods, Works and Consulting Services in accordance with the provisions of Schedule 2 to the Ordinary Operations Loan Agreement.

Section 3.04. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, subject to a maximum amount equivalent to 20% of the Loan Account.

Section 3.05. Withdrawals from the Loan Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from, and Works and Consulting Services which are supplied from such member countries

of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and

- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 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. (a) The Borrower shall cause IDCOL to 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, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 2 to this Loan Agreement.

Section 4.02. In addition to the reports and information set forth in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Qualified Enterprises, the Qualified Subprojects and the Subloans; and (b) the administration, operations and financial condition of IDCOL.

Section 4.03. The Borrower shall enable ADB's representatives to inspect any Qualified Enterprise, any Qualified Subproject, the Goods and Works, and any relevant records and documents maintained by IDCOL.

Section 4.04. The Borrower shall promptly take all action, including the provision of funds, facilities, services and other resources, which shall be necessary on its part to enable IDCOL to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

ARTICLE V**Suspension; Acceleration of Maturity**

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

- (a) the Memorandum and Articles, or any provision thereof, shall have been repealed, suspended, amended or modified in any manner that in the opinion of ADB will or may adversely affect the carrying out of the Project or the provisions of this Loan Agreement;
- (b) the Subsidiary Loan Agreement, or any provision thereof, shall have been suspended, amended or modified in any manner that, in the opinion of ADB, will or may adversely affect the carrying out of the Project or the provisions of this Loan Agreement; and
- (c) the Borrower or IDCOL shall have failed to perform one or more of their obligations under the Subsidiary Loan Agreement.

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. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

- (a) the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and IDCOL and shall have become legally binding upon the Borrower and IDCOL in accordance with its terms, subject only to the effectiveness of this Loan Agreement;
- (b) the execution and delivery of the Ordinary Operations Loan Agreement on behalf of the Borrower shall have been duly authorized by all necessary action and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled; and
- (c) IDCOL shall have appointed (i) a senior manager with background in risk management as the risk management head and to be a voting

member of IDCOL's credit risk management committee; (ii) a unit head to manage IDCOL's newly established loan recovery unit reporting to the credit management head; (iii) an internal auditor at senior level to head IDCOL's internal audit unit reporting directly to IDCOL board; and (iv) a senior officer for IDCOL's large infrastructure unit, all with such terms of reference and in a manner acceptable to ADB.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: that the Subsidiary Loan Agreement has been duly authorized by, and executed and delivered on behalf of, the Borrower and IDCOL and is legally binding upon the Borrower and IDCOL 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 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 IDCOL as its agent for the purposes of taking any action or entering into any agreement required or permitted under Section 3.04 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 IDCOL 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 IDCOL 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. The Senior Secretary or Secretary, Additional Secretary or Chief, Joint Secretary or Joint Chief, Deputy Secretary or Deputy Chief, Senior Assistant Secretary or Senior Assistant Chief, Assistant Secretary or Assistant Chief of the Economic Relations Division of the Ministry of Finance 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

Economic Relations Division
Ministry of Finance
Sher-e-Bangla Nagar
Dhaka, Bangladesh

Facsimile Number:

(8802) 9180-788

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2337.


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

PEOPLE'S REPUBLIC OF BANGLADESH

By 

KAZI SHOFIQL AZAM
Secretary
Economic Relations Division
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

MANMOHAN PARKASH
Country Director
Bangladesh Resident Mission

SCHEDULE 1**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)
15 May 2022	180,725
15 November 2022	180,725
15 May 2023	180,725
15 November 2023	180,725
15 May 2024	180,725
15 November 2024	180,725
15 May 2025	180,725
15 November 2025	180,725
15 May 2026	180,725
15 November 2026	180,725
15 May 2027	180,725
15 November 2027	180,725
15 May 2028	180,725
15 November 2028	180,725
15 May 2029	180,725
15 November 2029	180,725
15 May 2030	180,725
15 November 2030	180,725
15 May 2031	180,725
15 November 2031	180,725
15 May 2032	180,725
15 November 2032	180,725
15 May 2033	180,725
15 November 2033	180,725
15 May 2034	180,725
15 November 2034	180,725
15 May 2035	180,725
15 November 2035	180,725
15 May 2036	180,725
15 November 2036	180,725
15 May 2037	180,725
15 November 2037	180,725
15 May 2038	180,725
15 November 2038	180,725
15 May 2039	180,725
15 November 2039	180,725
15 May 2040	180,725
15 November 2040	180,725
15 May 2041	180,725
15 November 2041	180,725
TOTAL	7,229,000

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

SCHEDULE 2**Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower and IDCOL 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, IDCOL and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Selection Criteria

2. (a) Each Qualified Enterprise and Qualified Subproject shall, at all times, satisfy the selection criteria set out in paragraphs 2(b) and 2(c) below.
- (b) Except as ADB may otherwise agree, each Qualified Enterprise shall:
- (i) be majority (at least 51%) owned by private sector parties, who shall be significantly involved in the management of the Qualified Enterprise and shall continue to do so for the duration of the Subloan;
 - (ii) have sponsors with proven track record of successfully developing, financing and operating infrastructure projects similar to the Qualified Subproject or have made formal or contractual arrangements with third parties with such proven record;
 - (iii) have equity, or be able to procure equity, equal to at least 20% of the total cost of the relevant subproject;
 - (iv) have, or its sponsors shall be able to provide, adequate resources and financial capability to raise and maintain resources to complete and operate the relevant Qualified Subproject successfully;
 - (v) not be, and nor shall its sponsors be, in default of any prior loan from IDCOL or from any of the participating members of the consortium of lenders or from any bank or non-bank financial institutions in Bangladesh;
 - (vi) be able to provide security as required;
 - (vii) maintain appropriate financial records of income and expenditure to the satisfaction of IDCOL and ADB;

- (viii) comply with and ensure that its relevant Qualified Subproject complies with ADB's applicable policies, and national laws and regulations relating to environment, involuntary resettlement and indigenous peoples; and
 - (ix) be in the energy efficiency or renewable energy sectors.
- (c) Except as ADB may otherwise agree, each Qualified Subproject shall:
- (i) form an integral part of the Borrower's priority plan for renewable energy and energy efficiency sectors, including grid-connected solar projects, mini solar grids, solar irrigation pumps, wind and other renewable energy installations, energy efficient brick kilns, waste and effluent treatment plants, recycling plants, waste-to-energy solutions and biogas and biomass-based power plants;
 - (ii) use technology which has a successful track record;
 - (iii) be financially viable with robust and predictable cash flows and be capable of generating sufficient revenues for repaying the Subloan;
 - (iv) obtain all necessary Borrower approvals and licenses, and comply with its the national laws and regulations relating to environment, involuntary resettlement and indigenous peoples;
 - (v) comply with SPS and ESSF, and fall within category B or C for SPS purposes;
 - (vi) have an economic rate of return of not less than 12%; and
 - (vii) have a total project cost not exceeding \$10 million equivalent.

Approval Process

3. (a) IDCOL shall manage the review and approval of proposals for Qualified Subprojects to be financed under the Loan with a maximum Subloan amount of \$5 million equivalent. Any proposal for Qualified Subprojects with a Subloan amount in excess of \$5 million equivalent is subject to ADB's prior approval. For such prior approval, IDCOL shall:

- (i) review the preliminary designs and cost estimates for the Qualified Subproject;
- (ii) submit to ADB a concept paper on the proposed Subproject which shall include preliminary data and information on the Qualified Subproject, its sponsors and the proposed financial terms;

- (iii) following ADB's approval of the concept paper, carry out a detailed due diligence and submit the following documents to ADB for approval: (A) a detailed information memorandum of business plan; (B) a copy of the extract from the relevant minutes from the meeting of the IDCOL board or credit committee through which the Subloan was approved; (C) compliance with respect to ADB's Procurement Guidelines; (D) a copy of the Subloan agreement; and (E) any other relevant information;
- (iv) submit to ADB the safeguard documentation prepared for the Qualified Subproject pursuant to paragraph 9 to 13 below, together with a safeguards compliance certificate for the Qualified Subproject; and
- (v) periodically review ongoing Subprojects to ascertain their compliance with the approved safeguard plans and submit to ADB the reports.

(b) For all Qualified Subprojects, ADB reserves the right: (i) to request any supporting documentation for these proposals; and (ii) not to reimburse or liquidate any proposal that does not meet the criteria set forth in paragraph 2 above and in paragraphs 4 to 6 below.

Subloans

4. Each Subloan shall carry interest at an appropriate rate, which allows IDCOL to earn a risk-adjusted return, acceptable to ADB and shall be made on terms under which IDCOL obtains rights adequate to protect the interests of ADB and the Borrower. IDCOL shall procure that each Subloan Agreement shall appropriately reflect the obligations that IDCOL and the Qualified Enterprise assumed under this Loan Agreement in respect of the Qualified Subproject.

5. For Qualified Subprojects in the energy efficiency sector and renewable energy sector, respectively, IDCOL shall ensure that the maximum amount of each Subloan does not exceed 70% and 80%, respectively, of the relevant total project cost.

6. Without limiting the generality of paragraph 4 above and in addition to any other provisions which a prudent lender would request, IDCOL shall ensure that each Subloan Agreement includes provisions to the effect that:

- (a) the Qualified Enterprise shall carry out and operate the Qualified Subproject with due diligence and efficiency and in accordance with sound administrative, financial, economic, engineering, environmental, social safeguards, and business practices, including maintenance of adequate accounts and records;
- (b) the proceeds of the Loan shall be used only for procurement in member countries of ADB, of Goods produced in, and Consulting Services supplied from, such countries, and as set out in Schedule 2 to the Ordinary Operations Loan Agreement;

- (c) the Goods, Works and Consulting Services to be financed out of the proceeds of the Loan shall be used exclusively in the carrying out of the Qualified Subproject;
- (d) the Qualified Enterprises shall carry out and operate the Qualified Subproject in compliance with SPS as required in paragraphs 9 to 13 of this Schedule to this Loan Agreement;
- (e) ADB shall have the right to audit and examine the records and accounts of IDCOL, the Qualified Enterprise, the Qualified Subproject, suppliers, and contractors relating to the Qualified Subproject;
- (f) the Qualified Enterprise shall take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with sound business practices, and, without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of Goods financed out of the proceeds of the Loan 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;
- (g) ADB and IDCOL shall each be entitled to obtain from the Qualified Enterprise all such information as each shall reasonably request relating to the Subloan, the Goods, Works and Consulting Services financed out of the proceeds of the Loan, the Qualified Subproject, the Qualified Enterprise and other related matters; and
- (h) IDCOL shall be entitled to suspend or terminate further access by the Qualified Enterprises to the use of the proceeds of the Loan upon failure by the Qualified Enterprise to perform its obligations under the agreement with IDCOL.

Takeout Financing

7. IDCOL may utilize not more than 20% of the proceeds of the Loan for Takeout Financing.

Screening, Categorization, and Environmental and Social Assessment and Planning

8. The Borrower and IDCOL shall ensure that before any Qualified Subproject is approved for financing:

- (a) the ESSF is used to screen and categorize the significance of potential environmental, indigenous peoples or involuntary resettlement impacts associated with such Qualified Subproject;
- (b) an IEE, an EMP, a RP and/or an SECP are prepared for such Qualified Subproject as required pursuant to the ESSF; and
- (c) the IEE, the EMP, the RP and the SECP are cleared by ADB if such Qualified Subproject is Category B within the meaning of the SPS

(provided that no subproject shall be approved for financing if it is assessed as Category A for any of the safeguards within the meaning of SPS).

Condition for Disbursement for Subprojects

9. Notwithstanding any other provision of this Loan Agreement, withdrawals may be made from the Loan Account for the purpose of any Qualified Subproject provided that the Borrower has caused IDCOL to maintain the ESSF in a manner satisfactory to ADB.

Environment

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

Land Acquisition and Involuntary Resettlement

11. The Borrower shall ensure, or cause IDCOL to ensure, that all land and all rights-of-way required for each Qualified Subproject 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 ESSF; 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.

12. Without limiting the application of the Involuntary Resettlement Safeguards, the ESSF or the RP, the Borrower and IDCOL shall ensure that no physical or economic displacement takes place in connection with any Qualified Subproject 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.

Small Ethnic Communities

13. The Borrower and IDCOL shall ensure that the preparation, design, construction, implementation and operation of each Qualified Subproject comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; (c) the ESSF; and (d) all measures and requirements set forth in the respective SECP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

14. The Borrower shall ensure or cause IDCOL to ensure that (a) necessary budgetary and human resources are made available to fully implement the ESSF; and (b) each sub-borrower under the Qualified Subproject makes necessary budget and human resources to fully implement the respective EMP, RP and SECP.

Safeguards Monitoring and Reporting

15. The Borrower shall do the following or cause IDCOL to do the following:

- (a) submit 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 Qualified Subproject construction or implementation that were not considered in the IEE, the EMP, the RP and the SECP 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 ESSF and any EMP, RP or SECP promptly after becoming aware of the breach.

Prohibited List of Investments

16. The Borrower shall ensure, or cause IDCOL 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.

Labor Standards, Health and Safety

17. The Borrower and IDCOL shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. IDCOL shall use best efforts include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (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.

18. The Borrower and IDCOL shall strictly monitor compliance with the requirements set forth in paragraph 17 above and provide ADB with regular reports.

Gender and Development

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

Financial Covenants

20. IDCOL shall:

- (a) comply at all times with the prudential norms, as made applicable to it by the Borrower, including capital adequacy, income recognition, classification, and provisioning of non-performing assets;
- (b) maintain a debt service coverage ratio of at least 1.0, and ensure that it has no arrears in repayment of its current debt obligations; and
- (c) relend to Qualified Enterprises at rates that reflect its cost of funds plus a spread to cover transaction costs and risks following full commercial and competitive terms.

Governance and Anticorruption

21. The Borrower and IDCOL shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

22. The Borrower and IDCOL shall ensure that all contracts in relation to the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

23. The Borrower shall ensure that IDCOL:

- (a) complies with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
- (b) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
- (c) promptly informs the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that

ADB informs IDCOL of its concern that there has been such an alleged violation, IDCOL shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.