

LOAN AGREEMENT  
(Ordinary Operations)

(Power Distribution Enhancement Investment Program – Project 2)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 28 JANUARY 2011

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 28 January 2011 between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) on 8 July 2008, the Borrower and the Pakistan Electric Power Company (Private) Limited ("PEPCO") entered into a Framework Financing Agreement ("FFA") with ADB to seek financing for a power distribution enhancement investment program described in Schedule 1 to the FFA ("Investment Program");

(B) the Borrower has applied to ADB for a loan from ADB's ordinary capital resources for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) The Project will be implemented by 8 power distribution companies, namely 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, and Quetta Electric Supply Company Limited ("DISCO", individually and collectively), and for this purpose the Borrower shall make available to the DISCO the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB. The Project activities shall be coordinated by PEPCO, the executing agency for the Investment Program; and

(D) ADB has agreed to make a 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 the DISCO;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

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

(a) Section 2.01(50) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and the DISCO;

(b) The term "Project Executing Agency" appearing in Sections 7.04(b), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term "DISCO".

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

**Commitment Charge; Credit.** (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

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

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

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

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

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

(a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any

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

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

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings set forth therein unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "DISCO" refers to FESCO, GEPCO, HESCO, IESCO, LESCO, MEPCO, PESCO and QESCO, both individually and collectively;

(b) "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;

(c) "EMP" means an environmental management plan for a Subproject under the Project, including any update thereto, prepared by the Borrower pursuant to the requirements of the EARF, and cleared by ADB;

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

(e) "FAM" means the facility administration manual updated for the Project on 3 December 2010 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;

(f) “FESCO” means Faisalabad Electric Supply Company Limited incorporated under the Borrower’s Companies Ordinance, 1984 or any successor thereto acceptable to ADB;

(g) “GEPCO” means Gujranwala Electric Power Company Limited incorporated under the Borrower’s Companies Ordinance, 1984 or any successor thereto acceptable to ADB;

(h) “Goods” means the 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;

(i) “HESCO” means Hyderabad Electric Supply Company Limited incorporated under the Borrower’s Companies Ordinance, 1984 or any successor thereto acceptable to ADB;

(j) “IEE” means an initial environmental examination for a Subproject under the Project, including any update thereto, prepared by the Borrower pursuant to the requirements set forth in the EARF, and cleared by ADB;

(k) “IESCO” means Islamabad Electric Supply Company Limited incorporated under the Borrower’s Companies Ordinance, 1984 or any successor thereto acceptable to ADB;

(l) “Involuntary Resettlement Safeguards” means the policy principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(m) “LARF” means the Land Acquisition and Resettlement Framework, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(n) “LARP” means a land acquisition and resettlement plan for a Subproject under the Project, including any update thereto, prepared by the Borrower pursuant to the requirements set forth in the LARF, and cleared by ADB;

(o) “LESCO” means Lahore Electric Supply Company Limited incorporated under the Borrower’s Companies Ordinance, 1984 or any successor thereto acceptable to ADB;

(p) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2010, as amended from time to time);

(q) “MEPCO” means Multan Electric Power Company Limited incorporated under the Borrower’s Companies Ordinance, 1984 or any successor thereto acceptable to ADB;

(r) “PESCO” means Peshawar Electric Supply Company Limited incorporated under the Borrower’s Companies Ordinance, 1984 or any successor thereto acceptable to ADB;

(s) "PFR" means the periodic financing request submitted by the Borrower, for the purposes of this Loan dated 3 March 2010;

(t) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);

(u) "Procurement Plan" means the procurement plan for the Project dated 3 December 2010 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines and other arrangements agreed with ADB;

(v) "Project Area" refers to the areas of the DISCO operations under respective licenses issued in the territory of the Borrower;

(w) "Project facilities" means the transformers, substations, transmission lines, and other equipments and facilities to be improved and/or provided under the Project;

(x) "QESCO" means Quetta Electric Supply Company Limited incorporated under the Borrower's Companies Ordinance, 1984 or any successor thereto acceptable to ADB;

(y) "Relending Agreement" means any of the agreements between the Borrower and the DISCO referred to in Section 3.01(a) of this Loan Agreement;

(z) "Rupees" means the currency of the Borrower;

(aa) "Safeguards Monitoring Report" means the each report prepared by the DISCO to ADB that describes progress with implementation of and compliance with the IEE, the EMP and the LARP, including any corrective and preventive actions;

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

(cc) "STG" means the secondary transmission grid;

(dd) "Subproject" means a subproject under the Project selected in accordance with the criteria agreed between the Borrower and ADB and set forth in Schedule 4 to the FFA; and

(ee) "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. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred forty-two million Dollars (\$242,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 17 years and a grace period as defined in paragraph (c) of this Section.

(c) The term "grace period" as used in paragraph (b) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.30% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 June and 1 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan to each DISCO under a Relending Agreement upon terms and conditions satisfactory to ADB.

(b) The Borrower shall cause each DISCO to apply the proceeds of the Loan 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 items of expenditure in accordance with the provisions of Schedule 4 to this Loan Agreement, as applicable. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 September 2015 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 each DISCO 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 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 make available to each DISCO, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable each DISCO to perform its obligations under the Project Agreement, including the establishment and maintenance of tariffs as stipulated in paragraph 5 of Schedule 5 to this Loan 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 Relending 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 Relending 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 is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations: the Borrower or any DISCO has failed to perform any of their respective obligations under the Relending Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. A date sixty (60) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Secretary, Economic Affairs Division, Ministry of Economic Affairs and Statistics of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

#### For the Borrower

Secretary  
Economic Affairs Division  
Ministry of Economic Affairs and Statistics  
Islamabad, Pakistan

Facsimile Numbers:

(92-51) 920 4086  
(92-51) 921-0734.

#### For ADB

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

Facsimile Numbers:

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

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.

ISLAMIC REPUBLIC OF PAKISTAN

By



SIBTAIN FAZAL HALIM  
Secretary, Economic Affairs Division  
Ministry of Economic Affairs and  
Statistics

ASIAN DEVELOPMENT BANK

By



RUNE STROEM  
Country Director  
Pakistan Resident Mission

**SCHEDULE 1****Description of the Project**

1. The Project is an integral part of the Investment Program. The objective of the Project is to rehabilitate, augment and expand power distribution systems and remove system bottlenecks in the Project Area.
2. The Project shall comprise physical investments in subprojects covering STG expansion, augmentation, extension, conversion and rehabilitation; STG transmission lines; and energy loss reduction through installation of capacitors. The Project shall add 3,380 megavolt-amperes (MVA) of transformer capacity, 387 km of new distribution lines, and improve security of supply to customers by moving toward compliance with regulatory security standards governing planning and operation of the distribution system, and reliability improvements on the lower voltages.
3. The Project is expected to be completed by 31 March 2015.

**SCHEDULE 2**  
**Amortization Schedule**

**(Power Distribution Enhancement Investment Program – Project 2)**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Payment Due	<u>Installment Share</u> (Expressed as a %)
01 June 2014	1.175545
01 December 2014	1.234322
01 June 2015	1.296038
01 December 2015	1.360840
01 June 2016	1.428882
01 December 2016	1.500326
01 June 2017	1.575343
01 December 2017	1.654110
01 June 2018	1.736815
01 December 2018	1.823656
01 June 2019	1.914839
01 December 2019	2.010581
01 June 2020	2.111110
01 December 2020	2.216665
01 June 2021	2.327499
01 December 2021	2.443874
01 June 2022	2.566067
01 December 2022	2.694371
01 June 2023	2.829089
01 December 2023	2.970544
01 June 2024	3.119071
01 December 2024	3.275024
01 June 2025	3.438776
01 December 2025	3.610714
01 June 2026	3.791250
01 December 2026	3.980813
01 June 2027	4.179853
01 December 2027	4.388846

01 June 2028	4.608288
01 December 2028	4.838703
01 June 2029	5.080638
01 December 2029	5.334670
01 June 2030	5.601403
01 December 2030	5.881435
Total	100.000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**SCHEDULE 3****Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category and Subcategory of the Table).

Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest and Commitment Charge

3. The amount allocated to Category 9 is for financing interest and commitment charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charge.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Imprest Account and Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall cause each DISCO to establish immediately after the Effective Date, an imprest account at a bank acceptable to ADB. Each imprest account shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. Each imprest account shall only be used for the purposes of the Project. The currency of each imprest account shall be Dollar. The ceiling for each imprest account shall not exceed the lower of (i) ADB's estimated share of eligible project expenditures to be financed through each imprest account for the first 6 months, or (ii) the equivalent of 10% of the amount allocated to the respective DISCO, as shown in the Attachment to Schedule 3 of this Loan Agreement

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the statement of expenditures procedure shall not exceed the equivalent of \$100,000.

Retroactive Financing

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

Conditions for Disbursement

8. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for Categories 1-8 until ADB has received the respective Relending Agreement executed between the Borrower and the respective DISCO in a form and substance satisfactory to ADB.



TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Power Distribution Enhancement Investment Program – Project 2)</b>				
<b>CATEGORY</b>				<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing</b>		<b>Percentage and Basis for Withdrawal from the Loan Account</b>
		<b>Category</b>	<b>\$ Subcategory</b>	
1	<b>FESCO</b>	19,230,000		
1A	Equipment and Materials		17,900,000	100 percent of total expenditure claimed*
1C	Unallocated		1,330,000	
2	<b>GEPCO</b>	46,100,000		
2A	Turnkey		39,250,000	100percent of total expenditure claimed*
2B	Equipment and Materials		4,800,000	100percent of total expenditure claimed*
2C	Unallocated		2,050,000	
3	<b>HESCO</b>	32,350,000		
3A	Turn Key		29,980,000	100 percent of total expenditure claimed*
3B	Equipment		900,000	100 percent of total expenditure claimed*
3C	Unallocated		1,470,000	
4	<b>IESCO</b>	23,560,000		
4A	Turn Key		11,080,000	100 percent of total expenditure claimed*
4B	Equipment and Materials		11,480,000	100 percent of total expenditure claimed*
4C	Unallocated		1,000,000	
5	<b>LESCO</b>	27,180,000		

Attachment to Schedule 3

5A	Turn Key		12,250,000	100 percent of total expenditure claimed*
5B	Equipment and Materials		13,580,000	100 percent of total expenditure claimed*
5C	Unallocated		1,350,000	
6	<b>MEPCO</b>	36,070,000		
6A	Turnkey		17,120,000	100 percent of total expenditure claimed*
6B	Equipment and Materials		17,350,000	100 percent of total expenditure claimed*
6C	Unallocated		1,600,000	
7	<b>PESCO</b>	25,270,000		
7A	Turnkey		6,800,000	100 percent of total expenditure claimed*
7B	Equipment and Materials		16,960,000	100 percent of total expenditure claimed*
7C	Unallocated		1,510,000	
8	<b>QESCO</b>	19,760,000		
8A	Equipment and Materials		18,560,000	100 percent of total expenditure claimed*
8B	Unallocated		1,200,000	
9	Interest and Commitment Charge	12,480,000		100 percent of amount due
	Total	242,000,000		

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

## SCHEDULE 4

### Procurement of Goods and Works

#### General

1. The procurement of Goods and Works shall be subject to and governed by the Procurement Guidelines.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

#### Procurement of Goods and Works

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

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

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

#### Domestic Preference

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

#### National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

#### Industrial or Intellectual Property Rights

7. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

- (b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate,

indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

ADB's Review of Procurement Decisions

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

## SCHEDULE 5

### Execution of Investment Project

#### Implementation Arrangements

1. The Borrower shall, and shall cause the DISCO to, 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.

#### Land Acquisition and Resettlement

2. The Borrower shall, and shall cause the DISCO to, ensure that (a) all compensation, relocation, land acquisition and resettlement activities and livelihood rehabilitation programs under a Subproject are promptly and efficiently carried out in accordance with all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement, the Involuntary Resettlement Safeguards, the LARF, the respective LARP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report; (b) no land is acquired for the purposes of any Subproject based on the emergency acquisition provisions of the Borrower's Land Acquisition Act (1894), as amended from time to time; (c) sufficient funds are made available, as necessary, for the efficient and timely implementation of activities specified in the respective LARP; (d) no notice is issued to a contractor for commencement of Works under a Subproject, until all compensation and other entitlements have been paid to displaced persons in accordance with the respective LARP; and (e) the implementation of the LARP is monitored and evaluated internally and externally.

#### Environment

3. The Borrower shall, and shall cause the DISCO to, ensure that (a) each Subproject is carried out in accordance with all applicable laws and regulations of the Borrower relating to environment, health, and safety, the Environmental Safeguards, the EARF, and all environmental measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report; (b) all mitigation and monitoring measures identified in the respective EMP are incorporated into detailed design of the Subproject; and (c) the implementation of the EMP is monitored and evaluated internally and externally.

#### Safeguards Monitoring and Reporting

4. The Borrower shall cause the DISCO to: (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission; (b) if any unanticipated environmental and/or social risks and impacts arise during Project implementation that were not considered in the IEE, the EMP and the LARP, 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 set forth in the IEE, the EMP and the LARP promptly after becoming aware of the breach.

Safeguards Provisions of Bidding Documents and Contracts

5. The Borrower shall, and cause the DISCO to, 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 the respective IEE, EMP, the LARP, and any corrective or preventative actions set out in the Safeguards Monitoring Reports; (b) make available a budget for all such measures and requirements; (c) provide the Borrower and the DISCO with copy to ADB, with a written notice of any unanticipated environmental risks or impacts that arise during construction or implementation of the Project that were not considered in the IEE, the EMP, and the LARP; (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-Project condition upon the completion of construction; and (f) abstain from the use of child labor.

Labor

6. The Borrower shall, and cause the DISCO to, ensure that the all Works contracts follow all applicable labor laws of the Borrower and that these further incorporate provisions requiring the contractors to: (a) use their best efforts to employ women living in the vicinity of the Project Area; (b) not differentiate between men and women's wages or benefits for work of equal value; (c) disseminate information at worksites on the risks of sexually transmitted diseases and human immunodeficiency virus/acquired immunodeficiency syndrome for those employed during construction; and (d) take measures to protect workers from potential exposure to sexually transmitted diseases.

Counterpart Funding

7. The Borrower shall cause the DISCO to ensure the availability and timely release of counterpart funding for the timely implementation of the Subprojects.

Tariffs and DISCO's Financial Performance

8. The Borrower shall ensure that the tariffs formulated for the DISCO are adequate to maintain the debt-service coverage ratio of at least 1.2 times from 2011 onward and a self financing ratio of at least 20% for each fiscal year from 2011 onward.

Governance and Anticorruption

9. The Borrower shall, and shall cause the DISCO to, (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.

10. The Borrower shall cause the DISCO to 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.