
LOAN NUMBER 2972-PAK

LOAN AGREEMENT
(Ordinary Operations)

(Power Distribution Enhancement Investment Program – Project 3)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 9 SEPTEMBER 2013

PAK 38456

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 9 September 2013 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 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:

(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 Section 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; Maturity Premium.

(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 credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

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

Rebate. (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:

Surcharge. (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 therein set forth 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, including any update thereto, incorporated in the IEE;

(d) "Environmental Safeguards" means the 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 dated 28 November 2012 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 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, including any update thereto, prepared and submitted 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 principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(m) “LARF” means the land acquisition and resettlement framework for the Investment Program, 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, 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 (2012, 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 24 October 2012;

(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 28 November 2012 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 each report prepared and submitted by the DISCO to ADB that describes progress with implementation of and compliance with, 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 of the Project; 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-five million Dollars (\$245,000,000), 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 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) 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 2.02. 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:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.20% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.20% 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 subsection (a) hereinabove 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, 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. 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 31 December 2016 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, or cause to be made available, promptly as needed, 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 enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.05. 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 4.06. The Borrower shall take all actions 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 14 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 4.07. (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 are 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 90 days after the date of this Loan Agreement is specified for the effectiveness of this 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 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
Government of Pakistan
Islamabad, Pakistan

Facsimile Numbers:

(92-51) 920 4086
(92-51) 920-2019.

For ADB

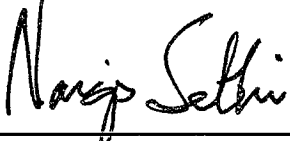
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

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

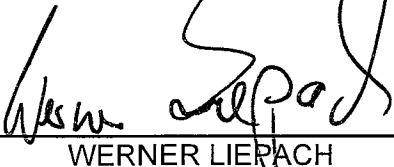
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

ISLAMIC REPUBLIC OF PAKISTAN

By 

NARGIS SETHI
Secretary
Economic Affairs Division
Ministry of Finance, Revenue, Economic
Affairs, Statistics and Privatization

ASIAN DEVELOPMENT BANK

By 

WERNER LIEPACH
Country Director
Pakistan Resident Mission

SCHEDULE 1

Description of the Project

1. The Project is an integral part of the Investment Program, which supports enhancement of power distribution. 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:
 - (a) augmentation of, extension of, conversion of and addition of new substations to, the STG; and
 - (b) conversion, replacement and extension of the STG transmission lines.
3. The Project is expected to be completed by 30 June 2016.

SCHEDULE 2**Amortization Schedule****(Power Distribution Enhancement Investment Program – Project 3)**

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.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
01 June 2018	0.827816
01 December 2018	0.869207
01 June 2019	0.912667
01 December 2019	0.958301
01 June 2020	1.006216
01 December 2020	1.056526
01 June 2021	1.109353
01 December 2021	1.164820
01 June 2022	1.223061
01 December 2022	1.284214
01 June 2023	1.348425
01 December 2023	1.415846
01 June 2024	1.486639
01 December 2024	1.560971
01 June 2025	1.639019
01 December 2025	1.720970
01 June 2026	1.807019
01 December 2026	1.897369
01 June 2027	1.992238
01 December 2027	2.091850
01 June 2028	2.196442
01 December 2028	2.306264
01 June 2029	2.421578
01 December 2029	2.542657
01 June 2030	2.669789
01 December 2030	2.803279
01 June 2031	2.943443
01 December 2031	3.090615
01 June 2032	3.245146
01 December 2032	3.407403

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
01 June 2033	3.577773
01 December 2033	3.756662
01 June 2034	3.944495
01 December 2034	4.141720
01 June 2035	4.348806
01 December 2035	4.566246
01 June 2036	4.794558
01 December 2036	5.034286
01 June 2037	5.286000
01 December 2037	5.550311
Total	100.000000

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 two 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 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.

Interest and Commitment Charges

3. The amount allocated to Category 9 is for financing interest and commitment charges 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 charges.

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.

Retroactive Financing

6. 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.

Condition for Withdrawals from Loan Account

7. 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

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Power Distribution Enhancement Investment Program – Project 3)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	FESCO	24,110,000		
1A	Civil Works (Turnkey)**		22,990,000	100% of total expenditure claimed*
1B	Unallocated		1,120,000	
2	GEPCO	8,890,000		
2A	Civil Works (Turnkey)**		8,450,000	100% of total expenditure claimed*
2B	Unallocated		440,000	
3	HESCO	24,500,000		
3A	Civil Works (Turnkey) **		23,200,000	100% of total expenditure claimed*
3B	Equipment and Materials		160,000	100 % of total expenditure claimed*
3C	Unallocated		1,140,000	
4	IESCO	24,550,000		
4A	Civil Works (Turnkey)**		14,070,000	100% of total expenditure claimed*
4B	Equipment and Materials		9,330,000	100% of total expenditure claimed*
4C	Unallocated		1,150,000	
5	LESCO	21,910,000		
5A	Civil Works (Turnkey)**		9,880,000	100% of total expenditure claimed*
5B	Equipment and Materials		11,010,000	100% of total expenditure claimed*
5C	Unallocated		1,020,000	
6	MEPCO	30,930,000		
6A	Civil Works (Turnkey)**		27,460,000	100% of total expenditure claimed*

6B	Equipment and Materials		2,030,000	100% of total expenditure claimed*
6C	Unallocated		1,440,000	
7	PESCO	21,550,000		
7A	Civil Works (Turnkey)**		12,030,000	100% of total expenditure claimed*
7B	Equipment and Materials		8,510,000	100% of total expenditure claimed*
7C	Unallocated		1,010,000	
8	QESCO	81,950,000		
8A	Civil Works (Turnkey)**		78,150,000	100% of total expenditure claimed*
8B	Unallocated		3,800,000	
9	Interest and Commitment Charge	6,610,000		100% of amount due
	Total	245,000,000		

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

**Subject to the condition for withdrawal described in paragraph 7 of Schedule 3.

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 in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

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, which include equipment and materials that are procured as discrete items under a single responsibility or turnkey Works contract.

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.

Conditions for Award of Contract

7. The Borrower shall not award any Works contracts for a Subproject which involves environmental impacts until the DISCO has incorporated the relevant provisions from the EMP into the Works contract.

8. Subject to paragraph 9 of this Schedule, the Borrower shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the DISCO has prepared and submitted to ADB the final LARP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such LARP.

9. The Borrower may award a contract for Works involving involuntary resettlement impacts for a Subproject prior to a final LARP for the Subproject having been submitted and cleared by ADB if the contract:

- (a) is of a 'design and build' type under which the design must be completed for the Subproject before the LARP is finalized; and
- (b) expressly provides that the build or construction phase (and commencement thereof) is conditional upon a final LARP for the Subproject based on the Subproject's detailed design having been submitted to, and cleared by ADB.

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.

ADB's Review of Procurement Decisions

11. 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.

12. In the case a contract of Goods or Works, which is subject to ADB's prior review, the Borrower shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:

- a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Loan Closing Date; and
- b) increases in aggregate of the original price by more than 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

13. In the case of a contract for Goods or Works, which is subject to ADB's post review, ADB shall review the required contract modification or waiver and respond to the Borrower as soon as practicable, but not later than 1 month after the receipt of the required

document.

14. The Borrower shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including charge orders) within 1 month following amendment of the contract.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower shall, and 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 or the Project Agreement, the provisions of this Loan Agreement or the Project Agreement shall prevail.

Environment

2. The Borrower shall, and shall cause the DISCO to, ensure that the preparation, design, construction, implementation, operation and decommissioning of each Subproject 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 the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

3. The Borrower shall, and shall cause DISCO to, ensure that all land and all rights-of-way required for each 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 LARF; and (d) all measures and requirements set forth in the respective LARP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report. For the avoidance of doubt, the Borrower shall, and shall cause the DISCO to, ensure that no land is acquired for the purpose of any Subproject under the emergency acquisition provisions of the Borrower's Land Acquisition Act 1894, as amended from time to time.

4. Without limiting the application of the Involuntary Resettlement Safeguards, the LARF or the LARP, the Borrower shall, and shall cause the DISCO to, ensure that no physical or economic displacement takes place in connection with any Subproject until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the LARP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the LARP (where applicable).

Indigenous Peoples

5. No impact on indigenous people is expected for the Project. However, if there is any such impact, the Borrower shall, and shall cause the DISCO to ensure, that it adheres to the applicable laws and regulations of the Borrower and the SPS.

Human and Financial Resources to Implement Safeguards Requirements

6. The Borrower shall, and shall cause the DISCO to, make available necessary budgetary and human resources to fully implement the EMP and the LARP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Borrower shall, and shall 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 IEE, the EMP and the LARP, 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; and
- (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 a Subproject that were not considered in the IEE, the EMP or the LARP.

Safeguards Monitoring and Reporting

8. The Borrower shall, and shall cause the DISCO 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 a Subproject that were not considered in the IEE, the EMP or 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 and requirements set forth in the EMP or the LARP promptly after becoming aware of the breach.

Prohibited List of Investments

9. The Borrower shall, and shall cause the DISCO 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

10. The Borrower shall, and shall cause the DISCO to, ensure that the core labor standards and the Borrower's applicable laws and regulations, including workplace occupational safety norms, are complied with during Project implementation. The DISCO shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, other provider of goods and services and their subcontractors:

- (a) comply with the Borrower's applicable labor law and regulations;
- (b) do not use child labor, within the meaning provided in Appendix 5 of the SPS;
- (c) provide equal opportunity and eliminate discrimination in relation to recruitment, compensation, working conditions and terms of employment for workers (including prohibiting any form of discrimination against women during hiring and providing equal pay for men and women for work of equal value; and to the extent possible, employing women and local people, including disadvantaged people, living in the Project Area, provided that the requirements for efficiency are adequately met);
- (d) do not use forced labor, within the meaning provided in Appendix 5 of the SPS;
- (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 females.

11. The Borrower shall, and shall cause the DISCO to, monitor compliance with the labor standards and provide ADB with regular reports.

Counterpart Support

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

13. The Borrower shall cause the DISCO to ensure that an accountant is appointed to each of their respective project management units within 6 months of the Effective Date.

Tariffs and DISCO's Financial Performance

14. 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, and a self-financing ratio of at least 20%, for fiscal year 2013 (i.e. from 1 July 2013 to 30 June 2014) onward. For the purpose of this paragraph, debt service coverage ratio means the division of free cash flow over annual debt service, as defined in ADB's Financial Management and Analysis of Projects Guidelines (2006). Self-financing ratio means the division of cash from internal sources over average annual capital expenditures, expressed as a percentage, as defined in ADB's Financial Management and Analysis of Projects Guidelines (2006).

Governance and Anticorruption

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

16. The Borrower shall, and 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.