
LOAN NUMBER 2661-BAN(SF)

LOAN AGREEMENT
(Special Operations)

(Bangladesh-India Electrical Grid Interconnection Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 13 OCTOBER 2010

LAS:BAN 44192

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 13 October 2010 between PEOPLE'S REPUBLIC OF BANGLADESH ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by Power Grid Company of Bangladesh Limited ("PGCB"), and for this purpose the Borrower will make available to PGCB the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

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

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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) "BPDB" means the Bangladesh Power Development Board;

(b) "Bulk Power Transmission Agreement" means the bulk power transmission agreement dated 26 July 2010 between BPDB and PGCIL in respect of the establishment of electrical grid interconnection facilities and transmission of power from India to Bangladesh through those facilities;

(c) "EMP" means the environmental management plan prepared in relation to the Project by PGCB, endorsed by the Borrower and approved by ADB;

(d) "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;

(e) "HVDC" means high voltage direct current;

(f) "IEE" means the initial environmental examination prepared in relation to the Project by PGCB, endorsed by the Borrower and approved by ADB;

(g) "kV" means kilo volt;

(h) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2007, as amended from time to time);

(i) "MOU" has the meaning given thereto in paragraph 6 of Schedule 3 to this Loan Agreement;

(j) "PAM" means the project administration manual for the Project dated August 2010 and agreed between the Borrower, PGCB and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, PGCB and ADB;

(k) "PGCB" means Power Grid Company of Bangladesh Limited, established under the Borrower's Companies' Act, 1994, as amended;

(l) "PGCIL" means Power Grid Corporation of India Limited, established under India's Companies Act, 1956, as amended;

(m) "Power Supplier" means the Indian entity to be designated as the supplier of power under the MOU and the proposed ensuing power purchase agreement;

(n) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);

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

(p) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means PGCB or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(q) "Project facilities" means the facilities to be erected under the Project;

(r) "RP" means the resettlement plan prepared in relation to the Project by PGCB, endorsed by the Borrower and approved by ADB;

(s) "Subsidiary Loan Agreement" means the agreement between the Borrower and PGCB with respect to the funds lent under the Project as described in Section 3.01(a) of this Loan Agreement; and

(t) "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.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to sixty five million nine hundred eighty six thousand Special Drawing Rights (SDR 65,986,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

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

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

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

ARTICLE III

Use of Proceeds of the Loan

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

(b) The Borrower shall cause PGCB 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.

Section 3.04 Withdrawals from the Loan Account in respect of Goods and Works shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works 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 and Works which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2013 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out the Project and operation of the Project facilities, the Borrower shall and shall ensure that PGCB shall, perform or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Subsidiary Loan Agreement.

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

Section 4.03. The Borrower shall take all actions which shall be necessary on its part to enable the PGCB 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 4.04. (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, 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 Borrower or PGCB shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreement;

(b) BPDB or PGCIL shall have failed to perform any of their respective obligations under the Bulk Power Transmission Agreement; and

(c) BPDB or the Power Supplier shall have failed to perform any of their respective obligations under the MOU or under the power purchase agreement entered into pursuant to the MOU.

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 set out in Section 5.01 shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and PGCB, and shall have become legally binding on the Borrower and PGCB in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 6.02. The following are 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 PGCB, and is legally binding upon the Borrower and PGCB in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

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 PGCB as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by PGCB 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 PGCB 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 Secretary or any Additional Secretary, Joint Secretary or Joint Chief or Deputy Secretary or Deputy Chief, Senior Assistant Secretary or Senior Assistant Chief, Assistant Secretary, Assistant Chief of the Economic Relations Division of the Borrower's Ministry of Finance 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
Government of the People's Republic of Bangladesh
Sher-e-Bangla Nagar
Dhaka 1207, Bangladesh

Facsimile Number:

(880-2) 8113088.

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2338.

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

PEOPLE'S REPUBLIC OF BANGLADESH

By



M MUSHARRAF HOSSAIN BHUIYAN

Secretary
Economics Relations Division
Ministry of Finance

ASIAN DEVELOPMENT BANK

By



THEVAKUMAR KANDIAH
Country Director
Bangladesh Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to establish grid interconnection between Bangladesh and India through the establishment of power transmission facilities in the Borrower's territory, which will connect with India's eastern electricity grid.
2. The Project shall comprise (a) the construction of a 500 megawatts back-to-back HVDC 400kV/230kV substation near the city of Bheramara; (b) the creation of a 230 kV loop-in-loop-out facility of approximately 5 kilometers that will link the HVDC substation with the Borrower's electricity grid; and (c) the erection of a 400 kV double circuit transmission line of approximately 40 kilometers from the HVDC substation to the Borrower's border with India and its interconnection with a corresponding transmission line on the Indian side of the border.
3. The Project is expected to be completed by 31 December 2012.

SCHEDULE 2

Amortization Schedule

(Bangladesh-India Electrical Grid Interconnection Project)

<u>Payment Due Date</u>	<u>Payment of Principal *</u> (expressed in SDR)
15-February-2019	1,374,708
15-August-2019	1,374,708
15-February-2020	1,374,708
15-August-2020	1,374,708
15-February-2021	1,374,708
15-August-2021	1,374,708
15-February-2022	1,374,708
15-August-2022	1,374,708
15-February-2023	1,374,708
15-August-2023	1,374,708
15-February-2024	1,374,708
15-August-2024	1,374,708
15-February-2025	1,374,708
15-August-2025	1,374,708
15-February-2026	1,374,708
15-August-2026	1,374,708
15-February-2027	1,374,708
15-August-2027	1,374,708
15-February-2028	1,374,708
15-August-2028	1,374,708
15-February-2029	1,374,708
15-August-2029	1,374,708
15-February-2030	1,374,708
15-August-2030	1,374,708
15-February-2031	1,374,708
15-August-2031	1,374,708
15-February-2032	1,374,708
15-August-2032	1,374,708
15-February-2033	1,374,708
15-August-2033	1,374,708
15-February-2034	1,374,708
15-August-2034	1,374,708
15-February-2035	1,374,708
15-August-2035	1,374,708
15-February-2036	1,374,708
15-August-2036	1,374,708
15-February-2037	1,374,708
15-August-2037	1,374,708
15-February-2038	1,374,708
15-August-2038	1,374,708

<u>Payment Due Date</u>	<u>Payment of Principal</u> * (expressed in SDR)
15-February-2039	1,374,708
15-August-2039	1,374,708
15-February-2040	1,374,708
15-August-2040	1,374,708
15-February-2041	1,374,708
15-August-2041	1,374,708
15-February-2042	1,374,708
15-August-2042	1,374,724
Total	65,986,000

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

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

Reallocation

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

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

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

Disbursement Procedures

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

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, subject to a maximum amount equivalent to 10% of the Loan amount.

Condition of Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until BPDB and the Power Supplier have entered into a memorandum of understanding ("MOU"), in form and substance acceptable to ADB, stipulating the key power purchase arrangements for the supply and purchase of at least 250 MW of power to be transmitted through the Project facilities, including, without limitation, the actual quantum of power, duration of the power supply, procedures for establishing the power purchase rate, and an undertaking that a power purchase agreement in accordance with sound market practice, on terms and conditions acceptable to ADB, shall be concluded within 6 months of the date of the MOU.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Bangladesh-India Electrical Grid Interconnection Project)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Equipment	61,736,000		
1A	Transmission Lines		10,558,000	100 percent of total expenditure claimed*
1B	HVDC Substation		51,205,000	100 percent of total expenditure claimed*
2	Unallocated	4,223,000		
	Total	65,986,000		

* 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, as applicable.

Procurement of Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of international competitive bidding procedures, 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

4. PGCB 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 and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

Execution of Works Contracts

5. The Borrower and PGCB shall ensure that, subsequent to award of a turnkey contract in relation to Goods and Works for the Project, no land shall be handed over to the contractor unless the applicable provisions of the IEE, EMP and the RP have been complied with.

Industrial or Intellectual Property Rights

6. (a) PGCB 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) PGCB 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

7. 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 Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Borrower and PGCB shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower, PGCB and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. The Borrower and PGCB shall ensure that the project management unit (PMU) established for the Project employs sufficient staff for the duration of the Project with adequate and relevant expertise in the field of project management, financial management, engineering, procurement, environmental and social safeguards implementation. The Borrower and PGCB shall keep the PMU equipped with the necessary office space, facilities, equipment, support staff and management information systems for the entire duration of the Project. The Borrower and PGCB shall undertake best efforts to ensure that the same persons will continue to be assigned to key positions in the PMU for the entire duration of the Project, including, without limitation, the head of the PMU.

Environment

3. The Borrower and PGCB shall ensure that:
 - (i) the Project is undertaken, and the Project facilities are designed, constructed, implemented, operated, and maintained, in accordance with the Borrower's applicable laws and regulations and the policy objectives, scope, triggers, and principles for the environmental safeguards set forth in ADB's *Safeguard Policy Statement* (2009);
 - (ii) the IEE and EMP are implemented in accordance with their terms;
 - (iii) in the event that any unanticipated adverse environmental impact occurs or a mitigation measure under the IEE or EMP does not have the desired effect, this is reported to ADB, and remedial actions are taken to mitigate the relevant impacts in consultation with the affected persons and ADB;
 - (iv) any changes to the location, land alignment, or environmental impacts on account of detailed designs of the Project facilities are mutually agreed between the Borrower and ADB;
 - (v) the IEE and EMP are updated, as necessary, during the course of Project implementation, and submitted to ADB for clearance;

- (vi) the contractors engaged for the Project are contractually obliged to implement the IEE and EMP and report on their implementation on a regular basis, along with any deviation; and
- (vii) reports on the implementation of the IEE and EMP are submitted to ADB on a quarterly basis.

Resettlement

4. PGCB shall ensure that all land and rights-of-way required for the Project are made available to the contractors in accordance with the schedule agreed under the turnkey contract for the relevant Goods or Works, subject to compliance of all land acquisition and resettlement activities with: (i) all applicable laws and regulations of the Borrower; (ii) the policy objectives, scope, triggers, and principles for the resettlement safeguards set forth in ADB's *Safeguard Policy Statement*; and (iii) the RP or any update thereof.

5. PGCB shall ensure that people affected by the Project are compensated in a timely manner based on replacement values in accordance with the RP, and that payments will be made in a timely manner, prior to dispossession from land and other assets. PGCB shall submit progress and completion reports on land acquisition and resettlement under the quarterly progress reports.

6. PGCB shall ensure that prior to land acquisition and any resettlement for the Project, the RP, including its update based on consensus of the affected persons, is disclosed with all necessary information made available to persons affected by the Project and confirm that it be uploaded onto the ADB website.

7. The Borrower and PGCB shall ensure that essential public infrastructure that may be affected by land acquisition and resettlement is replaced, as appropriate, in an expeditious manner in accordance with the RP.

8. PGCB shall ensure that construction contracts contain binding requirements for construction contractors to fully reinstate pathways, other local infrastructures, and agricultural land to at least their pre-project condition upon construction completion. PGCB shall adequately record the condition of roads, agricultural land and other infrastructure prior to transport of material and construction commencement.

Indigenous Peoples

9. The Borrower and PGCB shall ensure that the Project does not impact indigenous peoples as defined under the scope and triggers for the indigenous peoples safeguards in ADB's *Safeguard Policy Statement*. In the unforeseen event that the Project does impact indigenous peoples, the Borrower and PGCB shall take all steps required to ensure that the Project complies with applicable laws and regulations of the Borrower, and with the policy objectives, scope, triggers, and principles for the indigenous peoples safeguards set forth in ADB's *Safeguard Policy Statement*.

Associated Facilities

10. PGCB shall cooperate with PGCIL to facilitate ADB's verification that the associated facilities in India are designed, constructed and implemented in a manner consistent with the requirements of ADB's *Safeguard Policy Statement*. PGCB shall procure submission by PGCIL of all documents reasonably requested by ADB for such verification.

Labor Standards

11. The Borrower and PGCB shall ensure that the turnkey contracts for Goods and Works in relation to the Project include specific provisions to ensure that the contractors (a) comply with applicable core labor standards, labor laws and incorporate applicable workplace occupational safety norms; (b) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmittable infections, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project facilities, particularly to females; (c) do not differentiate payment between men and women or between people from different castes for work of equal value; (d) do not employ child labor; (e) eliminate forced or compulsory labor; (f) eliminate discrimination in respect of employment; and (g) to the extent possible, maximize employment of local poor and disadvantaged persons for construction purposes, provided that the requirements for efficiency are adequately met.

Grievance Redress Committee

12. The Borrower and PGCB shall maintain a grievance redress committee or committees with representation from all stakeholders in the Project facilities for addressing any grievances from affected peoples concerning resettlement, environment and any other social issues in a timely manner.

Gender and Development

13. The Borrower and PGCB shall ensure that the Project considers gender issues at all appropriate stages of the Project and that the Project will be carried out in accordance with ADB's *Policy on Gender and Development* (1998).

Counterpart Support

14. The Borrower and PGCB shall make available all counterpart funds required for timely and effective implementation of the Project, including any funds required to make land available for the Project, to mitigate unforeseen environmental and social impacts, and to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances. The Borrower and PGCB shall make the resources thus required available on an annual basis for each fiscal year.

15. The Borrower shall ensure that the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, is submitted to ADB within one (1) month of the date of this Loan Agreement.

Organizational Matters

16. The Borrower shall ensure that PGCB and other power sector entities have the operational autonomy required to secure, protect and advance their commercial, financial and administrative interests. The Borrower shall also ensure that throughout Project implementation (i) no material organizational changes (either financial, operational, or structural) to, nor material asset transfers to or from PGCB, including change in ownership of the Project facilities, are formally approved or implemented without prior approval of ADB, if such changes or transfers would affect the ability of PGCB to perform its obligations under the Project Agreement and the Subsidiary Loan Agreement; and (ii) such changes are carried out in a transparent manner and in accordance with applicable laws and regulations.

17. The Borrower shall ensure that the Bangladesh Energy Regulatory Commission Electricity Transmission Tariff Regulations and the Bangladesh Energy Regulatory Commission Electricity Distribution Tariff Regulations have entered into force and effect, but substantially in the form as notified by public notice of 27 February 2008 and subsequently amended to take into account the subsequent stakeholder consultations immediately after the Effective Date, but no later than 12 months from the Effective Date.

Financial Covenants in relation to PGCB

18. PGCB shall comply at all times with the following financial covenants: (i) a ratio of total operating expenses to total operating revenue at or below 85%; (ii) a debt-equity ratio of no more than 70:30; (iii) account receivables not to exceed 2 months' billing; and (iv) a debt service coverage ratio at 1.2 or above.

Governance and Corruption

19. The Borrower and PGCB shall comply with ADB's *Anticorruption Policy* (1998, as amended to date), and cooperate fully with any investigation by ADB and extend all necessary assistance, including providing access to all relevant books and records for the satisfactory completion of such investigation. The Borrower and PGCB shall ensure that 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.

20. The Borrower and PGCB shall announce the Project and business opportunities associated with the Project on their websites. In addition, the websites shall at least disclose the following information in relation to Goods and Works procured for the Project: (i) the list of participating bidders, (ii) the name of the winning bidder, (iii) the amount of the contracts awarded, and (iv) the goods and services procured.