
LOAN NUMBER 2769 - BAN

LOAN AGREEMENT
(Ordinary Operations)

(Power System Efficiency Improvement Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 4 JANUARY 2012

BAN 37113

LOAN AGREEMENT (Ordinary Operations)

LOAN AGREEMENT dated 4 January 2012 between PEOPLE'S REPUBLIC OF BANGLADESH (the "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 the Power Division ("Power Division") of the Ministry of Power, Energy and Mineral Resources of the Borrower, Ashuganj Power Station Company Limited ("APSCL") and Bangladesh Power Development Board ("BPDB"), and for this purpose the Borrower will make available to APSCL and BPDB the parts of the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB;

(C) the Borrower has separately applied to the Islamic Development Bank to cofinance Part A of the Project, which has been approved; 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 of the one part, and APSCL and BPDB of the other part;

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 to the following modifications:

(a) Section 2.01(51) is deleted and the following is substituted therefore:

"Project Executing Agency" means the entity or entities responsible for the carrying out of the Project as specified in the Loan Agreement.

(b) 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.

(c) 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.

(d) 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 therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "APSCL Subsidiary Loan Agreement" means the agreement between the Borrower and APSCL with respect to certain proceeds of the Loan relented under the Project as described in Section 3.01(a) of this Loan Agreement;

(b) "BERC" means the Bangladesh Energy Regulatory Commission;

(c) "BPDB Subsidiary Loan Agreement" means the agreement between the Borrower and BPDB with respect to certain proceeds of the Loan relented under the Project as described in Section 3.01(a) of this Loan Agreement;

(d) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(e) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(f) "Environmental Impact Assessment" or "EIA" means the environmental impact assessment for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(g) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the EIA or IEE;

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

(i) "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;

(j) "Initial Environmental Examination" or "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(k) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(l) "IsDB" means the Islamic Development Bank;

(m) "IsDB Financing Agreement" means the financing agreement between IsDB and the Borrower under which IsDB provides financing for the Project;

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

(o) "MW" means mega watt;

(p) "PAM" means the project administration manual for the Project dated 27 July 2011 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;

(q) "Part A" means Part A of the Project as set out in paragraph 2 of Schedule 1 to this Loan Agreement;

(r) "Part B" means Part B of the Project as set out in paragraph 2 of Schedule 1 to this Loan Agreement;

(s) "Power Division" means the Power Division of the Ministry of Power, Energy and Mineral Resources of the Borrower;

(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 27 July 2011 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;

(v) "Project Executing Agency" for the purposes of and within the meaning of the Loan Regulations means each of the Power Division, APSCCL and BPDB, or any successor(s) thereto acceptable to ADB, which are responsible for carrying out the Project;

(w) "Project facilities" means the facilities to be erected under the Project and includes the existing facilities at APSCCL's Ashuganj power station;

(x) "Resettlement Plan" or "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(y) "Safeguard Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP and RP (as applicable), including any corrective and preventative actions;

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

(aa) "Subsidiary Loan Agreements" means the APSCCL Subsidiary Loan Agreement and the BPDB Subsidiary Loan Agreement; and

(bb) "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 three hundred million Dollars (\$300,000,000), 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 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 February and 1 August 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 (i) a portion of the proceeds of the Loan amounting to \$228,000,000 to APSCS under the APSCS Subsidiary Loan Agreement, and (ii) a portion of the proceeds of the Loan amounting to \$42,000,000 to BPDB under the BPDB Subsidiary Loan Agreement, both upon terms and conditions satisfactory to ADB.

(b) The Borrower shall and cause each Project Executing Agency 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 2017 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 Project Executing Agency 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.

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

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable each Project Executing Agency 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 4.06. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreements 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 Agreements shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations:

(a) the Borrower, APSCL or BPDB shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreements; and

(b) IsDB Financing Agreement shall have been suspended by IsDB for a reason which in the reasonable opinion of ADB is likely to have an adverse impact on the Project.

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: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations:

(a) the APSCL Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and APSCL, and shall have become legally binding on the Borrower and APSCL in accordance with its terms, subject only to the effectiveness of this Loan Agreement;

(b) the BPDB Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and BPDB, and shall have become legally binding on the Borrower and BPDP in accordance with its terms, subject only to the effectiveness of this Loan Agreement; and

(c) the IsDB Financing Agreement shall have been executed by the Borrower and IsDB and all conditions precedent to its effectiveness, other than conditions requiring effectiveness of this Loan Agreement, shall have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

(a) the APSCCL Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and APSCCL, and is legally binding upon the Borrower and APSCCL in accordance with its terms; and

(b) the BPDB Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and BPDB, and is legally binding upon the Borrower and BPDB in accordance with its terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Borrower hereby designates each Project Executing Agency 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 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by any Project Executing Agency 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 any Project Executing Agency 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 12.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-e-Bangla Narag
Dhaka 1207, Bangladesh

Facsimile Number:

+880 2 811-3088.

For ADB

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

Facsimile Numbers:

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

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



IQBAL MAHMOOD

Secretary

Economic 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 increase electricity generation by supporting the Borrower's attempts to increase countrywide generation capacity.

2. The Project shall comprise:

Part A: Generation Efficiency Improvement

Replacement of Ashuganj power station's existing steam and gas turbine plants with a total capacity of 274 MW at Ashuganj power station with state-of-the-art combined cycle power plant of 450 MW capacity.

Part B: Increased Renewable Energy Use

This includes installation of (i) a 5 MW solar photovoltaic based grid-connected power generation plant at Kaptai hydropower plant site, (ii) an off-grid wind-solar hybrid system with a diesel generator in Hatiya Island (1 MW solar, 1 MW wind and 5.5 MW diesel); and (iii) installation and/or retrofitting of street-lighting based on solar photovoltaic and light emitting diode based technology, in 6 cities of the Borrower.

Part C: Consulting Services

Provision of Consulting Services for capacity building and implementation support in respect of Part A and Part B of the Project.

3. The Project is expected to be completed by 30 June 2017.

SCHEDULE 2

Amortization Schedule

(Power System Efficiency Improvement Project)

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.

Date Payment Due	Installment Share (Expressed as a % based on 10% annuity)
01 February 2017	0.827816
01 August 2017	0.869207
01 February 2018	0.912667
01 August 2018	0.958301
01 February 2019	1.006216
01 August 2019	1.056526
01 February 2020	1.109353
01 August 2020	1.164820
01 February 2021	1.223061
01 August 2021	1.284214
01 February 2022	1.348425
01 August 2022	1.415846
01 February 2023	1.486639
01 August 2023	1.560971
01 February 2024	1.639019
01 August 2024	1.720970
01 February 2025	1.807019
01 August 2025	1.897369
01 February 2026	1.992238
01 August 2026	2.091850
01 February 2027	2.196442
01 August 2027	2.306264
01 February 2028	2.421578
01 August 2028	2.542657
01 February 2029	2.669789
01 August 2029	2.803279
01 February 2030	2.943443
01 August 2030	3.090615
01 February 2031	3.245146
01 August 2031	3.407403

01 February 2032	3.577773
01 August 2032	3.756662
01 February 2033	3.944495
01 August 2033	4.141720
01 February 2034	4.348806
01 August 2034	4.566246
01 February 2035	4.794558
01 August 2035	5.034286
01 February 2036	5.286000
01 August 2036	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 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 the Loan proceeds to each such Category ("Table"). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories or Subcategory or Subcategories 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 4 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. The statement of expenditure procedure may be used for reimbursement of eligible expenditures, in accordance with the Loan Disbursement Handbook and detailed agreements 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.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Power System Efficiency Improvement Project)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (\$ million)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Equipment	254.28		
1A	Part A		191.78	100% of total expenditure claimed*
1B1	Part B (i, ii)		35.86	100% of total expenditure claimed*
1B2	Part B (iii)		26.65	100% of total expenditure claimed*
2	Implementation Consulting Services	4.85		
2A	Part A		4.00	100% of total expenditure claimed*
2B1	Part B (i, ii)		0.75	100% of total expenditure claimed*
2B2	Part B (iii)		0.10	100% of total expenditure claimed*
3	Training	0.90		
3A	Part A		0.50	100% of total expenditure claimed*
3B	Part B		0.40	100% of total expenditure claimed*
4	Interest and Commitment Charges	16.41		100% of amounts due
5	Unallocated	23.56		
6	Total	300.00		

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

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively, with such modifications and waivers as shall have been agreed to be necessary for the purposes of the Project.

2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting 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 the method of procurement set forth below:

International Competitive Bidding

4. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method 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 and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

Conditions for Award of Contract

6. The Borrower shall not award:
- (a) any Works contracts which involves environmental impacts until: (i) the Borrower's Department of Environment has granted the final approval of the EIA and IEE; and (ii) the Borrower has incorporated the relevant provisions from the EMP into the Works contract;
 - (b) any Works contracts which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP; and

- (c) any Works contract which involves impacts on indigenous peoples until the Borrower has prepared and submitted to ADB the final indigenous peoples' plan, and obtained ADB's clearance of such plan.

Selection of Consulting Services

7. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

Industrial or Intellectual Property Rights

8. (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.

9. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

10. 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.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Borrower and each Project Executing Agency 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 and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail. Part A (including related Consulting Services) shall be implemented by APSCCL, Part B (i) and (ii) (including related Consulting Services) shall be implemented by BPDB, and Part B (iii) shall be implemented by the Power Division.
2. The Borrower shall ensure and cause each Project Executing Agency to ensure that the project management units to be set up for the Project are headed by competent senior officials and staffed by adequate personnel to supervise the implementation of the activities under the Project.

Environment

3. The Borrower shall ensure and cause each Project Executing Agency to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower related to environment, health and safety; (b) the Environment Safeguards; and (c) all measures and requirements set forth in the IEE/EIA, the EMP and any corrective or preventative actions set forth in a Safeguards Monitoring Report.
4. The Borrower shall ensure and cause each Project Executing Agency to ensure that (a) the existing steam and gas turbine plants with the capacity of 274 MW capacity at the Ashuganj power station and the new plant of 450 MW capacity are not operated together, unless the Borrower, because of continuing power shortage decides to operate both plants, undertakes a detailed environmental assessment of the 2 plants running simultaneously, ensures compliance with the Environment Safeguards at all times and obtains ADB's concurrence, (b) prior to decommissioning existing plants at the Ashuganj power station a decommissioning plan is prepared and ADB's approval to decommission in accordance with such plan is obtained, and (c) the bidding documents Part A requires the contractor to conduct and submit to ADB, prior to construction, baseline environmental measurements on ambient air quality, noise and surface water quality at the Meghna river, and groundwater quality, aquatic flora and fauna within the immediate vicinity of the cooling water discharges of the existing plant.

Resettlement

5. The Borrower shall ensure or cause each Project Executing Agency to ensure that all land and all rights-of-way required for the Project 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; and (c) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

6. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Borrower shall ensure or cause each Project Executing Agency to ensure that no involuntary physical or economic displacement takes place in connection with the Project until:

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

Indigenous Peoples

7. The Borrower shall ensure that the Project does not have any indigenous peoples impacts within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall take or cause each Project Executing Agency to take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

8. The Borrower shall make available or cause each Project Executing Agency to make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

9. The Borrower shall ensure or cause each Project Executing Agency to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE or EIA, the EMP, and the RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (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 the Project that were not considered in the IEE or EIA, the EMP and the RP;

- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

10. The Borrower shall do the following or cause each Project Executing Agency to do the following:

- (a) submit semiannual 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 of operation of the Project that were not considered in the EIA or IEE, the EMP and the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than 2 years after effectiveness, engage qualified and experienced external experts or qualified non-government organizations under a selection process and terms of reference acceptable to ADB, to verify information produced through the project monitoring process, and facilitate the carrying out of any verification activities by such external experts;
- (d) no later than 2 years after effectiveness, engage an independent advisory panel to monitor and report upon Project implementation, and facilitate the carrying out of any monitoring activities by such panel; and
- (e) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.

Prohibited List of Investments

11. The Borrower shall 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.

Gender and Development

12. The Borrower shall ensure and cause each Project Implementing Agency to ensure that the gender action plan is effectively implemented including, amongst others, enhancement of women's employment opportunities in construction and conversion of power

plants, training for employment in the installation, operation and maintenance of renewal energy-based power plants, and gender-sensitive user education program.

Labor Standards and Bid Documents

13. The Borrower shall ensure that all Works contract documents to be prepared under the Project incorporate provisions and budget to the effect that contractors (i) comply with all applicable labor laws and related international treaty obligations of the Borrower and do not employ child labor, as defined under Bangladesh law; (ii) provide safe working conditions for male and female workers; (iii) carry out HIV/AIDS and human trafficking prevention and awareness campaigns in the campsites and corridors of influence; (iv) engage women workers as wage laborers depending on their skill, and (v) provide equal wages for equal work between men and women.

Counterpart Support

14. The Borrower shall make available, and ensure that each Project Executing Agency makes available, adequate budgetary allocations of the required counterpart funds in respect of the Project on a timely and regular basis.

Project Reviews

15. ADB shall, individually or jointly with IsDB, conduct periodic reviews of the progress of the Project as necessary and undertake any necessary midcourse corrections. In addition, ADB shall conduct special reviews as appropriate. The Borrower shall give all possible assistance for carrying out such reviews.

Governance and Anticorruption

16. The Borrower and each Project Executing Agency shall (i) 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 (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

17. Each Project Executing Agency shall 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.

18. Each Project Executing Agency shall prepare and implement a robust code of conduct, acceptable to ADB, for the staff of Power Division, APSCL and BPDB involved in the Project, ensuring, among others, that the staff members working with the project management unit do not have any conflict of interest with any activities under the Project. The Borrower shall take necessary steps to further ensure that all applicable anticorruption laws of the Borrower which apply to public officers are vigorously enforced.

19. Each Project Executing Agency shall announce the Project and business opportunities associated with the Project, as relevant, on their website. Such

announcements, when dealing with contracts awarded, shall at least disclose: (a) the list of participating bidders, (b) the name of the winning bidder, (c) the amount of the contracts awarded, and (d) the services procured. In addition, Power Division, APSC and BPDB shall establish a system of handling complaints, acceptable to ADB, to deal with any complaints received in relation to the contracts, their awards and their administration.

O&M

20. The Borrower shall ensure that APSC shall at all times have sufficient provision for its operation and maintenance cost for assets owned by it, including the plant to be installed under the Project.

Others

21. The Borrower shall finalize a power sector master plan by end December 2011.

22. The Borrower shall develop long-term generation and transmission expansion plans to enhance generation and transmission of electricity based on the recommendations in the power sector master plan, by end June 2012.

23. The Borrower shall ensure that the electricity transmission and distribution companies continue to lodge separate tariff applications with BERC for progressive adjustment of tariffs at least annually to reflect the cost of services and optimal future investments, based on approved BERC electricity tariff regulations.

24. The Borrower shall

- (a) by 30 June 2012 complete finalization of its vendor agreements with APSC, Electricity Generation Company of Bangladesh Limited ("EGCB"), and West Zone Power Distribution Company Limited, obtain any necessary approvals and sign the vendor agreements; and
- (b) by 30 September 2012 finalize long-term power purchase agreements with APSC and EGCB based on consultation with APSC, EGCB, BPDB and BERC, and sign the power purchase agreements.

25. The Borrower shall by 31 December 2012 finalize a plan for BPDB structural reforms, obtain any necessary approvals for the reforms by 30 June 2013, and promptly start implementation.