
LOAN NUMBER 2334-BAN(SF)

LOAN AGREEMENT
(Special Operations)
(Sustainable Power Sector Development Program)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 28 JUNE 2007

BAN 36107

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 28 June 2007 between PEOPLE'S REPUBLIC OF BANGLADESH (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 29 August 2006 (hereinafter called the Policy Letter), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's power sector (hereinafter called the Program);

(B) the Borrower has applied to ADB for a loan from its Special Funds resources for the purposes of the Program;

(C) the Borrower has also applied to ADB for a loan from its ordinary capital resources for the purpose of the Project described in Schedule 1 to the Ordinary Operations Project Loan Agreement referred to in Recital (E) (hereinafter called the Ordinary Operations Project);

(D) the Borrower has also applied to ADB for a loan from its Special Funds resources for the purpose of the Project described in Schedule 1 to the Special Operations Project Loan Agreement referred to in Recital (F) (hereinafter called the Special Operations Project);

(E) by agreement of even date herewith between the Borrower and ADB (hereinafter called the Ordinary Operations Project Loan Agreement), ADB has agreed to lend to the Borrower from ADB's ordinary capital resources the amount of four hundred million dollars (\$400,000,000) for the purpose of the Ordinary Operations Project (hereinafter called the Ordinary Operations Project Loan);

(F) by agreement of even date herewith between the Borrower and ADB (hereinafter called the Special Operations Project Loan Agreement), ADB has agreed to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to three million three hundred seventy one thousand Special Drawing Rights (SDR 3,371,000) for the purpose of the Special Operations Project (hereinafter called the Special Operations Project Loan); and

(G) ADB has, on the basis inter alia of the foregoing, agreed to make a loan to the Borrower from ADB's Special Fund resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto 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 (the "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(24) is deleted and the following is substituted therefor:
24. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.
- (b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".
- (c) Section 2.01(26) is deleted and the following is substituted therefor:
26. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.
- (d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".
- (e) Section 6.05(c) is deleted and the following is substituted therefor:
(c) Promptly after the closing date for withdrawals from the Loan Account, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and ADB, the Borrower shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution of the Program, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan.

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

- (a) "BERC" means the Borrower's Bangladesh Energy Regulatory Commission established in April 2004 pursuant to Act No. 13 of 2003 of the Borrower;
- (b) "BPDB" means Bangladesh Power Development Board, established and operating under the President's Order No. 59 of 1972 (the Bangladesh Water and Power Development Board Order, 1972) and its successor company for the Sirajganj peaking power station and Khulna peaking power station, tentatively called the Northwest Power Generation Company Limited (NWPGC);

(c) "Counterpart Funds" means the Taka proceeds accruing to the Borrower and generated from the Loan proceeds under the Program;

(d) "DESA" means Dhaka Electric Supply Authority established under the Borrower's Dhaka Electric Supply Authority Act No-36 of 1990 as amended;

(e) "DESCO" means Dhaka Electric Supply Company Limited, incorporated as a company under the Borrower's Companies Act, 1994, as amended;

(f) "DPDC" means Dhaka Power Distribution Company Limited, incorporated as a company under the Borrower's Companies Act, 1994, as amended;

(g) "Eligible Items" means the goods imported under the Program (except those specifically excluded pursuant to Attachment 1 to Schedule 3 to this Loan Agreement), the foreign exchange costs of which are eligible for financing out of the proceeds of the Loan;

(h) "First Tranche" means the portion of the proceeds of the Loan in an amount not exceeding the equivalent of twenty million two hundred twenty five thousand Special Drawing Rights (SDR 20,225,000) to be withdrawn and utilized pursuant to and subject to the provision of paragraph 5 of Schedule 3 to this Loan Agreement;

(i) "Policy Letter" means the development policy letter dated 29 August 2006 addressed by the Borrower to ADB and referred to in Recital (A) of this Loan Agreement;

(j) "Policy Matrix" means the policy matrix as agreed between the Borrower and ADB which sets forth the actions to be taken by the Borrower under the Program;

(k) "PGCB" means Power Grid Company of Bangladesh Limited, a public company established pursuant to the Borrower's Company's Act, 1994, as amended;

(l) "Program" means the program as described in Schedule 1 to this Loan Agreement;

(m) "Program Period" means 18 months period, ending 30 June 2008;

(n) "Second Tranche" means the balance of the proceeds of the Loan to be withdrawn at any time after the withdrawal of the First Tranche and to be utilized pursuant and subject to the provision of paragraph 5 of Schedule 3 to this Loan Agreement; and

(o) "Taka" means the currency of the Borrower.

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 forty million four hundred fifty thousand Special Drawing Rights (SDR 40,450,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (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 payment of the first principal amount of the Loan on the 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 1 February and 1 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 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 Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures for the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan may be withdrawn from the Loan Account only for the purposes of financing foreign currency expenditures incurred for Eligible Items under the Program 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, all Eligible Items to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which:

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

Section 3.05. Except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account in respect of expenditures for Eligible Items incurred more than one hundred eighty (180) days prior to the effective Date.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2008 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 of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to indicate the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V

Suspension; Cancellation; 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 shall have failed to perform any of its obligations under the Ordinary Operations Project Loan Agreement; and

(b) the Borrower shall have failed to perform any of its obligations under the Special Operations Project Loan Agreement.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) the Ordinary Operations Project Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than conditions requiring the effectiveness of this Loan Agreement and the Special Operations Project Loan Agreement) shall have been fulfilled;

(b) the Special Operations Project Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than conditions requiring the effectiveness of this Loan Agreement and the Ordinary Operations Loan Agreement) shall have been fulfilled;

(c) the Borrower shall have registered Northwest Power Generation Company Limited with the Registrar of the Joint Stock Companies of Bangladesh in accordance with its Companies Act 1994, as amended; and

(d) BPDB's Board of Directors shall have approved the transfer of all management, implementation, operational and fiscal authority of its Sirajganj peaking power station and Khulna peaking power station to the power generation company referred to in subparagraph (c) above.

Section 6.02. A date ninety (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

Miscellaneous

Section 7.01. The Secretary, or any Additional Secretary, Joint Secretary, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Senior Assistant Chief, Assistant Secretary or Assistant Chief of Economic Relations Division, Ministry of Finance of the

Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. 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) 811-3088

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444
(632) 636-2391.

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 and to be delivered at the principal office of ADB, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By _____
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____

SCHEDULE 1**Description of the Program**

1. The principal objective of the Program is to improve power sector sustainability by (i) developing and implementing a national action plan for power sector reforms; (ii) establishing a fully functional legal and regulatory framework; (iii) enhancing the financial health of power sector entities; (iv) further restructuring the sector entities; and (v) promoting private sector participation and public private partnership in the power sector. The Program is described in more detail in the Policy Letter. The Program will be implemented during the period 2006 - 2008.

2. In support of the Program:

(a) the proceeds of the Loan shall be used to finance the foreign exchange costs of Eligible Items; and

(b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of certain programs and other activities consistent with the objectives of the Program, pursuant to the provisions of paragraphs 2 and 3 of Schedule 5 to this Loan Agreement.

3. The proceeds of the Loan are expected to be utilized by 30 June 2008.

SCHEDULE 2

Amortization Schedule

(Sustainable Power Sector Development Program)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01-Feb-2015	1,264,063.00
01-Aug-2015	1,264,063.00
01-Feb-2016	1,264,063.00
01-Aug-2016	1,264,063.00
01-Feb-2017	1,264,063.00
01-Aug-2017	1,264,063.00
01-Feb-2018	1,264,063.00
01-Aug-2018	1,264,063.00
01-Feb-2019	1,264,063.00
01-Aug-2019	1,264,063.00
01-Feb-2020	1,264,063.00
01-Aug-2020	1,264,063.00
01-Feb-2021	1,264,063.00
01-Aug-2021	1,264,063.00
01-Feb-2022	1,264,063.00
01-Aug-2022	1,264,063.00
01-Feb-2023	1,264,063.00
01-Aug-2023	1,264,063.00
01-Feb-2024	1,264,063.00
01-Aug-2024	1,264,063.00
01-Feb-2025	1,264,063.00
01-Aug-2025	1,264,063.00
01-Feb-2026	1,264,063.00
01-Aug-2026	1,264,063.00
01-Feb-2027	1,264,063.00
01-Aug-2027	1,264,063.00
01-Feb-2028	1,264,063.00
01-Aug-2028	1,264,063.00
01-Feb-2029	1,264,063.00
01-Aug-2029	1,264,063.00
01-Feb-2030	1,264,063.00
01-Aug-2030	1,264,047.00
TOTAL	40,450,000.00

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3

Withdrawal of Loan Proceeds

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

2. (a) Withdrawals from the Loan Account shall be made for the financing of the cost of Eligible Items.

(b) No withdrawals from the Loan Account shall be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other loans made by ADB.

3. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Such withdrawal applications shall be accompanied by a certificate of the Borrower confirming that with respect to each year during which the proceeds of the Loan are expected to be disbursed, the value of the Eligible Imports is expected to be equal to or greater than the amount of the Loan expected to be disbursed during such year.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Borrower during the relevant period minus the following imports during the same period:

- (i) imports from countries which are not members of ADB;
- (ii) imports for ineligible items specified in Attachment 1 to this Schedule; and
- (iii) imports financed from credits from official international or bilateral aid agencies or any other loans made by ADB.

(d) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.

4. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall open an account (the Deposit Account) at Bangladesh Bank into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Borrower shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower's compliance with the formula for determining Eligible Imports.

5. Notwithstanding any other provisions of this Loan Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the First or Second Tranche unless ADB shall be satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; and, in particular, (b) the Borrower has fulfilled the relevant conditions for the release of respective Tranche specified in Attachment 2 to this Schedule.

Attachment 1 to Schedule 3**Negative List**

No withdrawals shall be made in respect of:

(a) expenditures for goods included in the following United Nations Standard International Trade Classification (SITC) groups or sub-groups, or any successor groups or sub-groups under future revisions of the SITC, as shall be designated by ADB by notice to the Borrower:

<u>Group</u>	<u>Sub-Group</u>	<u>Description of Items</u>
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufacture (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors and parts thereof, fuel elements (cartridges) non-irradiated, for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or of goods supplied from the territory of the Borrower;

(c) payments made for expenditures incurred more than 180 days before the effectiveness date of the loan;

(d) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or agreed to finance, including any contract financed under any loans from ADB;

(e) expenditures for goods intended for military or para-military purposes or for luxury consumption;

(f) expenditures for narcotics; and

(g) expenditures for pesticides categorized as extremely hazardous or highly hazardous in Class Ia and Ib, respectively, Classification of Pesticides by Hazard and Guidelines to Classification.

Attachment 2 to Schedule 3**A. Conditions for Release of the First Tranche****Development and implementation of a National Action Plan for Power Sector Reform**

1. The Borrower shall have approved the 3-Year Roadmap for Power Sector Reforms which covers the period 2006 to 2008, as agreed upon between the Borrower and ADB.
2. MPEMR shall have established and implemented a regular monitoring and reporting mechanism to oversee the power sector reform process.
3. The Power Division of MPEMR shall have submitted a Technical Project Proposal acceptable to ADB for a medium-term capacity building program to the Borrower's Planning Commission.

Development of a Full Functioning Legal and Regulatory Framework

4. The Borrower's Secretaries Committee on Administrative Developments shall have approved the BERC Organogram.
5. The Borrower shall have made public in its official Gazette the Licensing Regulations along with the tariff setting mechanism as finalized by BERC.
6. BERC shall have submitted the Electricity Generation Tariff Regulations along with the Tariff setting mechanism to the Energy and Mineral Resources Division of MPEMR.

Enhanced Financial Health of Power Sector Entities

7. The Power Division of MPEMR shall have prepared a draft financial restructuring plan for BPDB and DESA in a manner satisfactory to ADB.
8. The Borrower shall have allocated its budget of at least Taka 1.8 billion for provision of unfunded pension and gratuities for the newly corporatized power sector entities including West Zone Power Distribution Company limited, Ashuganj Power Station Company Limited, and North West Zone Power Distribution Company Limited.
9. The Borrower shall have settled with power sector entities (i) its outstanding dues to maintain the total outstanding dues less than Taka 1.2 billion, and (ii) its autonomous and semiautonomous bodies' outstanding dues to maintain the total outstanding dues less than Taka 3.0 billion.

Continued Restructuring of Sector Entities

10. Electricity Generation Company of Bangladesh Limited, North West Zone Power Distribution Company Limited, and DPDC shall have constituted their respective Boards of Directors in a manner satisfactory to ADB.

11. DPDC and NWZPDC shall have advertised for the recruitment of their respective management positions.

Promotion of Public-Private Partnership

12. The Power Division of MPEMR shall have formally approved the offloading, in the stock market in one or more tranches, of up to 25% of the shares of PGCB and DESCO, respectively.

Attachment 3 to Schedule 3**B. Conditions for Release of the Second Tranche****Development of a Full Functioning of the Legal and Regulatory Framework**

1. The Borrower shall have appointed the remaining BERC commissioner.
2. The Borrower shall have made public in its official gazette the Electricity Generation Tariff Regulations along with the tariff setting mechanism as finalized by BERC.

Enhanced Financial Health of Power Sector Entities

3. The Borrower shall have approved the draft financial restructuring plan for BPDB and DESA, as referred to in paragraph 7 of the conditions for release of the First Tranche.
4. The Borrower shall have allocated its budget of at least an additional Taka 1.8 billion for provision of unfunded pension and gratuities for Electricity Generation Company of Bangladesh Limited and DPDC.
5. The Borrower shall have settled with power sector entities (i) its outstanding dues to maintain the total outstanding dues less than Taka 1.0 billion, and (ii) its autonomous and semiautonomous bodies' outstanding dues to maintain the total outstanding dues less than Taka 2.5 billion.

Promotion of Public-Private Partnership

6. Subject to favorable market conditions, the Borrower shall have carried out initial offloading, in the stock market, of shares of PGCB and DESCO.

SCHEDULE 4
PROCUREMENT

1. Except as ADB may otherwise agree, the procedures referred to in the paragraphs below shall apply in the procurement of Eligible Items (other than consulting services) to be financed out of the proceeds of the Loan.

2. (a) Except as provided in paragraph 2(b) below, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Borrower's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency.

(b) Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade and acceptable to ADB.

SCHEDULE 5

Program Implementation and Other Matters

Implementation Arrangement

1. The Finance Division of the Ministry of Finance (MOF) and Power Division of Ministry of Power, Energy and Mineral Resources (MPEMR) of the Borrower shall be the Program Executing Agencies. As such, these EAs shall be responsible for overall coordination of Program implementation and for ensuring that the proceeds of the Loan are disbursed and utilized in accordance with this Loan Agreement.

Use of Counterpart Funds

2. Throughout the implementation of the Program, the Borrower shall ensure that adequate allocations of the required counterpart funds are made, approved and released in a timely manner in order to ensure proper implementation of the Program.

3. The Borrower shall ensure that the Counterpart Funds shall be used for financing the Program expenditures and associated costs of reform, including unfunded pension and gratuities of corporatized power sector entities, and settlement of outstanding dues of the Borrower and its autonomous/semiautonomous bodies to such power sector entities.

Implementation of the Policy Letter and Policy Matrix

4. The Borrower shall ensure that the policies adopted and actions taken, as described in the Policy Letter and the Policy Matrix will continue in effect during the Program period and subsequently.

Policy Dialogue

5. The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, the progress made in carrying out the policies and actions set out in the Policy Letter and the Policy Matrix.

6. The Borrower shall continue timely policy dialogue with ADB on problems and constraints encountered during implementation of the Program and on desirable changes to overcome or mitigate such problems and constraints.

7. The Borrower shall keep ADB informed of policy discussions concerning the Program undertaken with other international and bilateral agencies as ADB may reasonably request and shall provide ADB with the opportunity to comment on any resulting proposals.

Monitoring of the Program

8. The Borrower shall (i) establish and maintain a Program performance evaluation system for the Program, which shall include a data base on the status of policy measures and Program indicators based on the Policy Matrix and the design and monitoring framework for the Program; (ii) monitor the implementation of the Program and its impacts, and (iii) submit to ADB

quarterly reports on the implementation of the Program, including accomplishment of the measures set forth in the Policy Letter and the Policy Matrix.

9. The Borrower and ADB shall review the implementation of the Program and assess the impact of all relevant reforms in the sector every six months during Program implementation and at the end of the Program Period. To facilitate such review, the Borrower shall assist ADB by providing relevant data and information in such detail as ADB may reasonably request.

10. Approximately six (6) weeks before the anticipated withdrawal of the Second Tranche, or such other time as the Borrower and ADB may agree, a review shall be carried out concerning the Borrower's progress in implementing the policy reforms under the Program set out in the Policy Letter and the Policy Matrix, including the fulfillment of the conditions listed in Attachment 3 to Schedule 3 to this Loan Agreement.

Project Loan

11. The Borrower shall ensure the timely implementation of the Project Loan Agreements.