

LOAN AGREEMENT  
(Ordinary Operations)

(Power Transmission Enhancement Investment Program – Tranche 2)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 20 MAY 2008

## **LOAN AGREEMENT (Ordinary Operations)**

LOAN AGREEMENT dated 20 May 2008 between ISLAMIC REPUBLIC OF PAKISTAN (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

### **WHEREAS**

(A) on 31 October 2006, the Borrower and the National Transmission and Despatch Company (hereinafter called NTDC) entered into a Framework Financing Agreement (hereinafter called the FFA) with ADB to seek financing for a power transmission enhancement investment program, as described in Schedule 1 to the FFA (hereinafter called the Investment Program);

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

(C) the Project will be carried out by NTDC, and for this purpose the Borrower will make available to NTDC the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and NTDC;

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, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Ordinary Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a) 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.

(b) 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.

(c) 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, 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) "DISCOs" means the following power distribution companies operating in the territory of the Borrower: Faisalabad Electric Supply Company, Gujranwala Electric Power Company, Hyderabad Electric Supply Company, Islamabad Electric Supply Company, Lahore Electric Supply Company, Multan Electric Supply Company, Peshawar Electric Supply Company, and Quetta Electric Supply Company;

(b) "FFA" has the meaning given thereto in Recital (A) of this Loan Agreement;

(c) "GENCOs" means the following power generating companies operating in the territory of the Borrower: Jamshoro Power Generation Company Limited, Central Power Generation Company Limited, Northern Power Generation Company Limited, Lakhra Power Generation Company Limited;

(d) "Goods" means the equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(e) "Investment Program" has the meaning given thereto in Recital (A) of this Loan Agreement;

(f) "NEPRA" means the National Electric Power Regulatory Authority of the Borrower;

(g) "NTDC" has the meaning given thereto in Recital (A) of this Loan Agreement;

(h) "Official Gazette" means the gazette published under that title by the Cabinet Division of the Borrower;

(i) "Onlending Agreement" means the agreement between the Borrower and NTDC referred to in Section 3.01(a) of this Loan Agreement;

(j) "PEPCO" means the Pakistan Electric and Power Corporation;

(k) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);

(l) "Procurement Plan" means the procurement plan for the Project dated 13 December 2007 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines and other arrangements agreed with ADB;

(m) "Project" means, for the purposes of this Loan Agreement, the project described in Schedule 1 to this Loan Agreement;

(n) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means NTDC responsible for the carrying out of the Project;

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

(p) "Rupees" means Pakistan rupees, the currency of the Borrower;

(q) "WAPDA" means the Borrower's Water and Power Development Authority; and

(r) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred twenty million Dollars (\$220,000,000), 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 seventeen (17) years, and a grace period as defined in paragraph (c) of this Section.

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

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations, less a credit of 0.40% as provided by Section 3.03 of the Loan Regulations.

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

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 December and 15 June in each year.

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

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

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

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

### **ARTICLE III**

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

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan in Rupees to NTDC under an Onlending Agreement upon terms and conditions satisfactory to ADB. Any foreign exchange risk shall be borne by the Borrower.

(b) The Borrower shall cause NTDC 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 Goods, Works, consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works, consulting services and other items of expenditure shall be 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 Goods, Works and consulting services 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. ADB may refuse to finance a contract where Goods, Works or consulting services have 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 Goods, Works and consulting services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 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. (a) The Borrower shall cause NTDC to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, electrical transmission, and environmental practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Schedule to the Project Agreement.

Section 4.02. The Borrower shall make available to NTDC, promptly as needed and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

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

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable NTDC 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 4.05. (a) The Borrower shall exercise its rights under the Onlending 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 Onlending Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

## **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 9.01(l) of the Loan Regulations:

(a) the Borrower has failed to perform any of its obligations under any other loan agreement with ADB for a project that forms part of the Investment Program;

(b) NTDC has failed to perform any of its obligations under any other project agreement with ADB for a project that forms part of the Investment Program.

Section 5.02. The following are specified as additional events 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 has 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 Borrower has submitted proof, satisfactory to ADB, that (i) no person serving on the board of NTDC, WAPDA, PEPCO, any DISCO or any GENCO is a board member of any of the other entities, and that (ii) any executive manager only holds a position as a board member in one or more GENCOs, one or more DISCOs, or WAPDA, and not a combination of board member positions in GENCOs, DISCOs and WAPDA;



(b) the Borrower has submitted proof, satisfactory to ADB, (i) that the DISCOs have submitted petitions for tariff revisions, as required, to maintain their financial viability; (ii) that the Borrower, following a tariff determination by NEPRA, has promptly notified such tariff determination through the Official Gazette; and (iii) that the tariffs thus determined for the DISCOs, are adequate to cover their operating costs, maintenance, depreciation, and financing costs, and allow an acceptable return on equity.

Section 6.02. A date thirty (30) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VII**

### **Miscellaneous**

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

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

#### For the Borrower

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

Facsimile Numbers:

(92-51) 920 5971  
(92-51) 921-0734

#### 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) 636-2428

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

ISLAMIC REPUBLIC OF PAKISTAN

By   
JUNAID IQBAL CH  
Acting Secretary  
Economic Affairs Division  
Ministry of Economic Affairs and  
Statistics

ASIAN DEVELOPMENT BANK

By   
PETER L. FEDON  
Country Director  
Pakistan Resident Mission

## SCHEDULE 1

### Description of the Project

#### 1. Impact and Outcome

The Project is an integral part of the Investment Program. The outcome of the Project will be an augmentation, rehabilitation, and expansion of the primary power transmission system and a removal of power transmission bottlenecks. The impact of the Project will be an adequate and reliable power supply to a greater number of industrial, commercial and residential consumers.

#### 2. Scope

The Project comprises 10 subprojects as shown in the table below. Specifically, the Project will expand and augment transmission capacity, and evacuate power from existing and new power stations. The subprojects will result in (i) an increase of approximately 5,800 mega volt-amperes (MVA) of transformer capacity, (ii) increased security of supply to customers as compliance with security standards for planning and operation is strengthened and (iii) a more reliable primary transmission system.

No.	Subproject	Substation	Transmission Line	No. of Lines	Length of each Line (km)	Transformer Capacity (MVA)	Expected Year of Commissioning
1	New 220kV Okara Grid Station with Transmission Line.	Okara	In and Out of existing Yusawala – Sarfraz Nagar 220kV D/C transmission line at new Okara.	1	10.08	3x250	2010-11
2	New 220kV Toba Tek Sing Grid Station with Transmission Line	Toba Tek Sing	In and Out of existing Nishatabad – Multan 220kV D/C transmission line at T.T. Sing.	1	1.2	3x250	2010-11
3	SVS (Static Var System) at Quetta	Quetta Ind 220kV				-150 - +450 (MVAR)	2010-11
4	Transformer Extension at Ghazi Brotha 500kV	Ghazi Brotha				3x200 + 1x200 (Spare)	2010-11

No.	Subproject	Substation	Transmission Line	No. of Lines	Length of each Line (km)	Transformer Capacity (MVA)	Expected Year of Commissioning
5	New 500 kV D.G. Khan Grid Station with Transmission Line.	D.G. Khan	In and Out of existing Guddu – Muzaffargarh 500kV transmission line at D.G. Khan	1	18(D/C) 3.4(S/C)	2x(3x200)+ 1x200 (Spare)	
6	New 220kV Lora Lai Grid Station	Lora Lai				2x250	2010-11
7	New 220kV Rohri Grid Station and Line Bay Extension at Shikarpur with Transmission Line (ENGRO/FFC IPPs Power Dispersal Arrangement)	Rohri	Mari – Engro – New Rohri – Shikarpur 220kV D/C Transmission line	1	145.7	3x250	2010-11
8	Jarwar – Sadiqabad 132kV transmission line with Line Bay Extension at Sadiqabad (Power Dispersal Arrangement for Jarwar)	Sadiqabad	Jarwar – Sadiqabad D/C	1	63.8		2010-11
9	Augmentation at Ravi 220kV	Ravi 220-kV Grid Station Lahore				3x250	2009-10
10	Tools and Construction/Testing Equipment	NTDC					2009-10

3. The Project is expected to be completed by 30 June 2013.

**SCHEDULE 2****Amortization Schedule****(Power Transmission Enhancement Investment Program – Tranche 2)**

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

<u>Payment Due Date</u>		Payment of Principal (Expressed in percentage)
15-Jun-	2011	1.18
15-Dec-	2011	1.23
15-Jun-	2012	1.3
15-Dec-	2012	1.36
15-Jun-	2013	1.43
15-Dec-	2013	1.5
15-Jun-	2014	1.58
15-Dec-	2014	1.65
15-Jun-	2015	1.74
15-Dec-	2015	1.82
15-Jun-	2016	1.91
15-Dec-	2016	2.01
15-Jun-	2017	2.11
15-Dec-	2017	2.22
15-Jun-	2018	2.33
15-Dec-	2018	2.44
15-Jun-	2019	2.57
15-Dec-	2019	2.69
15-Jun-	2020	2.83
15-Dec-	2020	2.97
15-Jun-	2021	3.12
15-Dec-	2021	3.28
15-Jun-	2022	3.44
15-Dec-	2022	3.61
15-Jun-	2023	3.79
15-Dec-	2023	3.98

<u>Payment Due Date</u>	<u>Payment of Principal</u> (Expressed in percentage)
15-Jun- 2024	4.18
15-Dec- 2024	4.39
15-Jun- 2025	4.61
15-Dec- 2025	4.84
15-Jun- 2026	5.08
15-Dec- 2026	5.33
15-Jun- 2027	5.6
15-Dec- 2027	5.88
<b>TOTAL</b>	<b>100.00</b>

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

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

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

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

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

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

### **SCHEDULE 3**

#### **Allocation and Withdrawal of Loan Proceeds**

##### General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

##### Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table 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 the 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 then 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 for financing Goods, Works, consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.



Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20 percent of the Loan Amount.

Condition for Withdrawal from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the Borrower has furnished a legal opinion satisfactory to ADB of counsel acceptable to ADB, showing that the Onlending Agreement has been duly authorized by, and executed and delivered on behalf of, the parties thereto and is legally binding upon the parties in accordance with its terms, subject only to the effectiveness of this Loan Agreement; and (b) the Borrower has furnished to ADB a copy of the Onlending Agreement thus executed and delivered.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Power Transmission Enhancement Investment Program – Tranche 2)</b>				
<b>Number</b>	<b>Item</b>	<b>Amount Allocated (\$ ,000)</b>		<b>ADB Financing</b>
		<b>Category</b>	<b>Subcategory</b>	<b>Percentage and Basis for withdrawal from the Loan Account</b>
1	<b>Works</b>	7,000		41% of total project cost
2	<b>Equipment</b>	158,000		
2A	Equipment 500KV		30,000	100% of total project cost*
2B	Equipment 220 KV		56,000	100% of total project cost*
2C	Equipment 132 KV		5,000	100% of total project cost*
2D	Testing and Construction Equipment		7,000	100% of total project cost*
2E	Transmission Lines		41,000	100% of total project cost*
2F	Other Equipment		19,000	100% of total project cost*
3	<b>Consulting Services</b>	6,000		100% of total project cost*
4	<b>Interest and Commitment Charge</b>	17,000		100% of amounts due
5	<b>Unallocated</b>	32,000		
	<b>Total</b>	<b>220,000</b>		

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

## SCHEDULE 4

### Provisions on Procurement and Consulting Services

#### General

1. All Goods and Works to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines. All consulting services to be financed out of the proceeds of the Loan shall be subject to and governed by the Consulting Guidelines.

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 methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping

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

4. 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.

5. No procurement under national competitive bidding may be undertaken unless ADB, and the Borrower have agreed in writing on any modifications or clarifications to the Borrower's national competitive bidding procedures as may be required to ensure their consistency with the Procurement Guidelines. Such modifications or clarifications agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Borrower and ADB.

#### Selection of Consulting Services

6. Except as otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

### Industrial or Intellectual Property Rights

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

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

8. 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

9. All 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**

#### **FFA**

The Borrower shall ensure that the Project is carried out in accordance with the FFA, including all the Schedules (including Annexes) attached thereto, and especially Schedule 3 to the FFA.