
LOAN NUMBER 3967-CAM (COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])
(Grid Reinforcement Project)

between

THE KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 12 OCT 2020

CAM 53324

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 12 OCT 2020 between KINGDOM OF CAMBODIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) by a grant agreement of even date herewith between the Borrower and ADB (the "SCF Grant Agreement"), ADB has agreed to provide a grant to the Borrower under the Scaling Up Renewable Energy Program in Low Income Countries (SREP) funded by the Strategic Climate Fund ("SCF") in an amount of four million seven hundred thousand Dollars (\$4,700,000) (the "SCF Grant");

(C) by a grant agreement of even date herewith between the Borrower and ADB (the "CEF Grant Agreement") ADB has agreed to provide a grant to the Borrower from the Clean Energy Fund ("CEF") under the Clean Energy Financing Partnership in an amount of two million Dollars (\$2,000,000) (the "CEF Grant");

(D) the Project will be carried out by Electricité du Cambodge ("EDC") pursuant to the project agreement of even date herewith between EDC, as the Project Executing Agency (as defined below) and ADB (the "Project Agreement"), and for this purpose the Borrower will make available to EDC the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(E) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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

- (a) "Component" means a component 1 or a component 2 of the Project as described in Schedule 1 to this Loan Agreement;
- (b) "Construction Environmental Management Plan" means site-specific construction environmental management plans prepared by EPC contractors based on the updated EMP and on actual site conditions prior to mobilizing and approved by the Project Executing Agency;
- (c) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (d) "DDR" means due diligence report prepared for Subprojects where land is acquired through negotiated settlement;
- (e) "EDC" means Electricité du Cambodge, a wholly state-owned limited liability enterprise incorporated by a Royal Decree of the Kingdom of Cambodia on 9 March 1996, including any successor thereto;
- (f) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (g) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (h) "EPC Contracts" means each contract for engineering, procurement and construction and other related Works and Goods for 230 kV and 115 kV transmission lines and substations in Phnom Penh, Kampong Chhnang, Kampong Cham and Takeo provinces, financed by the Loan;
- (i) "EPC (O&M) Contract" means engineering, procurement and construction contract including 3 year O&M and other related Works, Goods and Services for a battery energy storage system, financed by the CEF Grant and SCF Grant;
- (j) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, SCF Grant or CEF Grant including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (k) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Project Executing Agency and cleared by ADB;

- (l) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (m) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (n) "LARF" means the land acquisition and resettlement framework for the Project, including any update thereto, prepared and submitted by the Project Executing Agency and cleared by ADB;
- (o) "LARP" means the land acquisition and resettlement plan for the Project, including any update thereto, prepared and submitted by the Project Executing Agency and cleared by ADB;
- (p) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (q) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan, SCF Grant or CEF Grant;
- (r) "O&M" means operations and maintenance;
- (s) "PAM" means the project administration manual for the Project dated 24 June 2020 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;
- (t) "Procurement Plan" means the procurement plan for the Project dated 24 June 2020 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB which include, among others, the standard operation procedures of the Borrower (2 December 2019, as amended from time to time) ("SOP") providing procedures applicable to externally-financed projects and programs, and the procurement manual under the SOP (2 December 2019, as amended from time to time) prepared by the Borrower setting forth the procurement related policies and procedures for externally-financed projects and programs;
- (u) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (v) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);

- (w) "Project Executing Agency" means EDC or any successor thereto acceptable to ADB, which is responsible for the overall carrying out of the Project;
- (x) "RDDR" means resettlement due diligence report prepared for Subprojects involving construction on public land (that require no land acquisition nor have any resettlement effect);
- (y) "Safeguards Monitoring Report" means each report prepared and submitted by the Project Executing Agency to ADB that describes progress with implementation of and compliance with the EMP and the LARP, including any corrective and preventative actions;
- (z) "SPS" means ADB's Safeguard Policy Statement (2009);
- (aa) "Services" means Consulting Services and Nonconsulting Services;
- (bb) "Subproject" means construction of each of (i) the transmission lines; (ii) substations in Phnom Penh, Kampong Cham, Kampong Chhang and Takeo provinces; and (iii) the battery energy storage system;
- (cc) "Subsidiary Loan Agreement" means the agreement entered into between the Borrower and the Project Executing Agency for the purpose of relending the proceeds of this Loan as specified in Section 3.01 of this Loan Agreement; and
- (dd) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, SCF Grant or CEF Grant including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred twenty seven million eight hundred thousand Dollars (\$127,800,000).

(b) The Loan has a principal repayment period of 24 years, and a grace period as defined in subsection (c) hereinafter.

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

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

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December 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.

ARTICLE III

Use of Proceeds of the Loan

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

(b) The Borrower shall cause the proceeds of the Loan to be applied exclusively 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, the SCF Grant or CEF Grant in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2025 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement, the SCF Grant Agreement, the CEF Grant Agreement and the Project Agreement.

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

Section 4.03. The Borrower shall take all actions which shall be necessary on its part to enable the 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 4.04. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

ARTICLE V

Effectiveness

Section 5.01. 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 SCF Grant Agreement shall have been duly executed and delivered and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled; and
- (b) the CEF Grant Agreement shall have been duly executed and delivered and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 5.02. The following are specified as additional matters, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) that the SCF Grant Agreement has been duly authorized by or ratified by, and executed and delivered on behalf of, the Borrower, and is legally binding upon Borrower in accordance with its terms; and
- (b) that the CEF Grant Agreement has been duly authorized by or ratified by, and executed and delivered on behalf of, the Borrower, and is legally binding upon Borrower in accordance with its terms.

Section 5.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Economy and Finance
St. 92, Sangkat Wat Phnom
Khan Daun Penh
Phnom Penh, Cambodia

Facsimile Number:

855 23 427-789
855 23 428-424

For ADB

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

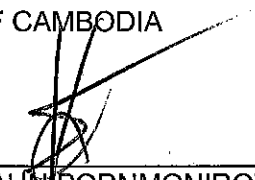
Facsimile Numbers:

(632) 8636-2444.

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.

KINGDOM OF CAMBODIA

By


H.E. DR. AUN PORNMONIROTH
Deputy Prime Minister
Minister of Economy and Finance

ASIAN DEVELOPMENT BANK

By

For: 
SUNNIYA DURRANI-JAMAL
Country Director
Cambodia Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to improve capacity and stability of the transmission network in Cambodia:

2. The Project shall comprise the following:

Component 1: Expansion and reinforcement of 115 kilovolt and 230 kilovolt grid infrastructure

- (a) in Phnom Penh, Kampong Chhnang, Kampong Cham and Takeo provinces by constructing 115 kV and 230 kV overhead and underground transmission lines and substations.

Component 2: Providing the first utility-scale energy storage system

- (b) in particular, supporting the Project Executing Agency in designing, procuring, operating and analyzing the performance of the first utility-scale battery energy storage system ("BESS") in Cambodia.

3. The Project is expected to be completed by 30 June 2025.

SCHEDULE 2**Amortization Schedule**

<u>Payment Due</u>	<u>Payment of Principal*</u> (expressed in USD)
15 December 2028	2,662,500
15 June 2029	2,662,500
15 December 2029	2,662,500
15 June 2030	2,662,500
15 December 2030	2,662,500
15 June 2031	2,662,500
15 December 2031	2,662,500
15 June 2032	2,662,500
15 December 2032	2,662,500
15 June 2033	2,662,500
15 December 2033	2,662,500
15 June 2034	2,662,500
15 December 2034	2,662,500
15 June 2035	2,662,500
15 December 2035	2,662,500
15 June 2036	2,662,500
15 December 2036	2,662,500
15 June 2037	2,662,500
15 December 2037	2,662,500
15 June 2038	2,662,500
15 December 2038	2,662,500
15 June 2039	2,662,500
15 December 2039	2,662,500
15 June 2040	2,662,500
15 December 2040	2,662,500
15 June 2041	2,662,500
15 December 2041	2,662,500
15 June 2042	2,662,500
15 December 2042	2,662,500
15 June 2043	2,662,500
15 December 2043	2,662,500
15 June 2044	2,662,500
15 December 2044	2,662,500
15 June 2045	2,662,500
15 December 2045	2,662,500
15 June 2046	2,662,500
15 December 2046	2,662,500

<u>Payment Due</u>	<u>Payment of Principal*</u> (expressed in USD)
15 June 2047	2,662,500
15 December 2047	2,662,500
15 June 2048	2,662,500
15 December 2048	2,662,500
15 June 2049	2,662,500
15 December 2049	2,662,500
15 June 2050	2,662,500
15 December 2050	2,662,500
15 June 2051	2,662,500
15 December 2051	2,662,500
15 June 2052	<u>2,662,500</u>
Total	127,800,000

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

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

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

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

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

Disbursement Procedures

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

Retroactive Financing

5. Withdrawals from the Loan Account may be made to reimburse eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, in connection with advance payments under (i) project implementation consultant contract; and (ii) EPC Contract(s), subject to a maximum aggregate amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals for category 1 – Works and Goods (Engineering, Procurement, Construction – transmission lines and substations) set out in the table attached to this Schedule 3 shall be made from the Loan Account: for the Works in relation to the construction of the transmission lines and substations in Kampong Chhang, Kampong Cham and Takeo provinces, which are to be constructed on private land, with the exception of the detailed engineering design, until (i) all land acquisition activities required for such Works are completed, and/ or (ii) the conditions for acquiring such land through negotiated settlement as set out in paragraph 10 of Schedule 4 to this Loan Agreement are satisfied.

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account, unless the Project Executing Agency has allocated adequate funds and resources to cover the contingency amount under the Project equal to (i) as of the date immediately prior to the first disbursement of the Loan, twenty one million two hundred and twenty thousand Dollars (\$21,220,000) and (ii) for any subsequent withdrawal, an amount calculated by ADB in accordance with PAM and notified to the Borrower and the Project Executing Agency in due course.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (USD)	Basis for Withdrawal from the Loan Account
		Category	
1	Works and Goods (Engineering, Procurement, Construction – transmission lines and substations)**	124,280,000	100% of total expenditure claimed*
2	Consulting Services	3,520,000	100% of total expenditure claimed*
	TOTAL	127,800,000	

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

** Subject to the conditions for withdrawal described in paragraph 6 of Schedule 3.

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower shall and shall cause the Project Executing Agency to 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.

Procurement

2. The Borrower shall or shall cause the Project Executing Agency to ensure that:

- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
- (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan. The proceeds of the Loan, the SCF Grant and CEF Grant may be used to procure Goods, Works and Services under the Project from non-member countries of ADB; and
- (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

Conditions for Commencement of Works

3. The Borrower shall, or shall cause the Project Executing Agency to, ensure that with the exception of the detailed engineering design, no other Works shall commence on any Subproject which involves environmental impacts until:

- (a) The Project Executing Agency has obtained for that Subproject the final clearance of the updated IEE and/ or EMP (as applicable) from ADB;

- (b) the appropriate authority of the Borrower has granted the final approval of the national environmental impact assessment and any other requisite environment, health and safety permits;
- (c) the Project Executing Agency has secured a budget for all the environmental and social measures (if, and to the extent necessary); and
- (d) Following undertaking of the detailed engineering design by the EPC contractor, the Project Executing Agency shall update the EMP based on the results of such detailed engineering design and incorporate the requirements under the respective EPC Contract or EPC (O&M) Contract, as applicable.

4. For Subprojects where the Project Executing Agency acquires privately owned land through negotiated settlement and a DDR has been prepared, the Borrower shall cause the Project Executing Agency to ensure that except for the detailed engineering design, no Works shall commence on a particular Subproject or Subprojects until an independent third party verified and documented the negotiated settlement process for that particular Subproject or Subprojects, and the Project Executing Agency obtained ADB's clearance for such a verification report.

5. For Subprojects that involve land acquisition and involuntary resettlement impacts, the Borrower shall cause the Project Executing Agency to ensure that except for the detailed engineering design, no Works shall commence until the Project Executing Agency obtained ADB's clearance on the LARP and the LARP implementation compliance report for a particular Subproject or section of a particular Subproject.

6. For Subprojects involving construction on public land (and require no land acquisition nor have any resettlement impact) and in relation to which a RDDR has been prepared, the Borrower shall cause the Project Executing Agency to ensure that except for the detailed engineering design, no Works shall commence on a particular Subproject or Subprojects until the updated RDDR based on the detailed design is submitted to ADB, and ADB cleared the updated RDDR for a particular Subproject.

Environment

7. The Borrower shall ensure, and shall cause the Project Executing Agency to ensure, that the detailed engineering design, construction, implementation, operation and decommissioning of each Subproject and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; (c) and all measures and requirements set forth in the respective IEE, EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

8. The Borrower shall ensure, and shall cause the Project Executing Agency to ensure, that all land and all rights-of-way, if any, required for each Subproject are made available to the Works contractor in accordance with the schedule agreed under the related

Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the LARF; and (d) all measures and requirements set forth in the LARP and conditions specified in Paragraph 11 below (Land Acquired through Negotiated Settlement), and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

9. Without limiting the application of the Involuntary Resettlement Safeguards or the LARP, the Borrower shall ensure, and shall cause the Project Executing Agency to ensure, that no physical or economic displacement takes place in connection with any of the Subprojects until:

- (a) compensation and other entitlements have been provided to the affected persons in accordance with the LARP; as shall be confirmed in a LARP compliance report to be provided by the Project Implementation consultant engaged under the Project; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the LARP.

Land Acquired through Negotiated Settlement

10. Where the Project Executing Agency acquires land through negotiated settlement, the Borrower shall cause the Project Executing Agency to ensure to comply with the requirement for (a) meaningful consultation with affected persons; (b) ensuring mechanisms for calculating the replacement costs of land and any other assets affected; (c) engaging an independent third party to validate and document the negotiation and settlement process; and (d) submission of the third-party validation report on such negotiated land acquisition. In the event that negotiation fails, and expropriation applies, the Borrower shall cause the Project Executing Agency to comply with the principles and requirements as stipulated in the LARF.

Indigenous Peoples

11. The Borrower shall cause the Project Executing Agency to ensure that no Subprojects have any indigenous peoples impact, as per SPS. In the event that a Subproject does have any such impact, the Borrower shall cause the Project Executing Agency to take all steps required to ensure that such Subproject complies with (a) all applicable laws and regulations of the Borrower related to indigenous peoples; and (b) the SPS.

Human and Financial Resources to Implement Safeguard Requirements

12. The Borrower shall cause the Project Executing Agency to make available necessary budgetary and human resources to fully implement the EMP, LARF and LARP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

13. The Borrower shall cause the 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, the EMP, the LARF, and the LARP (to the extent they concern impacts on the affected people during construction), and any corrective or preventive actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures if necessary;
- (c) provide the Project Executing Agency 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, the EMP, the LARF and the LARP;
- (d) adequately record 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

14. The Borrower shall cause the Project Executing Agency to do the following:
- (a) submit semi-annual Safeguards Monitoring Reports to ADB until the Project completion and disclose relevant information from such reports to affected persons promptly upon submission;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the LARF and the LARP as applicable, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
 - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, and the LARP promptly after becoming aware of the breach.

Labor Standards, Health and Safety

15. The Borrower ensure and shall cause the Project Executing Agency ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall cause the Project Executing Agency to ensure that all bidding documents and contracts incorporate provisions and budgets to the effect that contractors shall (a) comply with the Borrower's applicable core labor standards, labor laws and regulations and incorporate applicable workplace occupational safety norms; (b) do not employ child labor; (c) eliminate any form of discrimination in respect of employment;

(d) do not employ forced labor; (e) do not differentiate payment between men and women for work of equal value; (e) do not restrict the workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; and (f) disseminate, or engage appropriate service providers to disseminate information on the risks of sexually-transmittable infections, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project facilities, particularly to women.

16. The Borrower shall or shall cause the Project Executing Agency to strictly monitor compliance with the requirements set forth in paragraph 16 above and provide ADB with regular reports.

Grievance Redress Mechanism

17. The Borrower shall ensure and shall cause the Project Executing Agency to ensure that as soon as, (a) efficient grievance redress mechanisms are in place and functional to assist the affected persons resolve queries and complaints, if any, in a timely manner; (b) all complaints are registered, investigated and resolved in a manner consistent with the provisions of the grievance redress mechanism detailed in the IEE/EMP, LARF and LARP; (c) the complainants or aggrieved persons are kept informed about the status of their grievances and remedies available to them; and (d) adequate staff and resources are available for supervising and monitoring the mechanism.

Prohibited List of Investments

18. The Borrower shall ensure and shall cause the Project Executing Agency to ensure that no proceeds of the Loan, SCF Grant or CEF Grant are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS. Notwithstanding the foregoing, the Borrower shall further ensure that no proceeds of the Loan are used to finance any activity involving use of asbestos containing materials.

Gender and Development

19. The Borrower shall and shall cause the Project Executing Agency to ensure that the principles of gender equality aimed at increasing Project benefits and impact on women in the Project area are followed during implementation of the Project. These include (a) equal pay to men and women for work of equal value, (b) enabling working conditions for women workers, and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

Counterpart Support

20. The Borrower shall ensure that counterpart funds necessary for the Project are provided on a timely basis, including, without limitation, the financial charges during implementation and the exemption of taxes and duties. The Borrower shall ensure that additional counterpart funds are available to cover any funding shortfalls that may occur under the Project.

21. The Borrower shall ensure that the Project Executing Agency provides counterpart funds necessary for the Project, including the amounts sufficient to finance land acquisition costs, on a timely basis. In addition to the foregoing, the Borrower shall cause the Project Executing Agency to ensure that it has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract, including, without limitations, the EPC Contracts and the EPC (O&M) Contract.

Operations and Maintenance of Project Facilities

22. The Borrower shall, and shall cause the Project Executing Agency to ensure the operation and maintenance of the Project facilities in sound and functional order at all times after completion of the Project and provide additional counterpart funds and make necessary budget allocations in its annual budget to cover any shortfalls.

Borrower's Reforms

23. Except as otherwise agreed by ADB, the Borrower shall continue to implement effective reforms, including if required, but not limited to, electricity tariff reforms to ensure long-term financial sustainability of the Project Executing Agency and continued affordability of electricity to the poor.

24. The Borrower shall promptly notify ADB of any proposal to amend, suspend, or repeal any provision of the Borrower's governing laws and regulations that would have a material effect on the operations of the Project Executing Agency and the Project Executing Agency's ability to comply with the provisions of this Loan Agreement, the SCF Grant Agreement, CEF Grant Agreement and/or the Project Agreement, and shall afford ADB an adequate opportunity to comment on such proposal prior to taking any action thereon.

Financial Matters

25. For the purposes of this paragraph, all financial calculations, ratios and financial covenants shall be calculated based on the Project Executing Agency's audited financial statements.

(a) Except as ADB shall otherwise agree, the Borrower shall ensure that for each of its fiscal years after its fiscal year ending 31 December 2020, the Project Executing Agency meets the following requirements:

- (i) the Project Executing Agency shall generate funds from internal sources equivalent to not less than 25% of the annual average of the Project Executing Agency's capital expenditures incurred, or expected to be incurred, for that fiscal year.
- (ii) The net revenues of the Project Executing Agency shall be at least 1.3 times the debt service requirements of the Project Executing Agency.
- (iii) The Project Executing Agency's ratio of debt to equity shall not exceed 70:30.

- (iv) Total accounts receivable shall be maintained at a level that does not exceed the equivalent of three (3) months' average sales revenue.
 - (v) Before December 31 in each of its fiscal years, the Project Executing Agency shall, on the basis of forecasts satisfactory to ADB, review whether it would meet the requirements set forth in paragraphs 25(a)(i) to (iv) above in respect of such year and the next following fiscal year and shall furnish to ADB a copy of such review upon its completion.
 - (vi) If any such review shows that the Project Executing Agency would not meet the requirements set forth in paragraphs 25(a)(i) to (iv) above for the Project Executing Agency's fiscal years covered by such review, the Borrower shall promptly take all necessary measures to enable the Project Executing Agency to meet its requirements, including but not limited to, adjustments of electricity tariffs.
- (b) For the purposes of paragraph 25 (a) (i) above:
- (i) The term "funds from internal sources" means the difference between: (A) the sum of cash flows from all sources related to operations, plus cash generated from consumer deposits and consumer advances of any kind, sale of assets, cash yield of interest on investments, and net non-operating income; and (B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends paid and other cash distributions of surplus, increase in working capital other than cash, and other cash outflows other than capital expenditures.
 - (ii) The term "net non-operating income" means the difference between:
(A) revenues from all sources other than those related to operations, after making adequate provisions for uncollectible debts; and (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
 - (iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each fiscal year.
 - (iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within 12 months, including accounts receivable, marketable securities, inventories and prepaid

expenses properly chargeable to operating expenses within the next fiscal year.

- (v) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within 12 months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
 - (vi) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments if any) of, and interest and other charges on, debt, excluding interest charged to construction and financed from loans.
 - (vii) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.
 - (viii) The terms "operations" or "operating" refer to all operations of the Project Executing Agency.
- (c) For purposes of paragraphs 25 (a)(ii) and (iii) above:
- (i) The term "debt" means any indebtedness of the Project Executing Agency maturing by its terms more than one year after the date on which it is originally incurred.
 - (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement, or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into. Financial liabilities incurred by a borrower who is a lessee under finance leasing agreements may also be included as debt.
 - (iii) The term "net revenues" means the difference between: (A) the sum of revenues from all sources related to operations, after making adequate provisions for uncollectible debts, adjusted to take account of the Project Executing Agency's rates in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

- (iv) The term "net non-operating income" means the difference between: (A) revenues from all sources other than those related to operations; and (B) expenses including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on debt. Interest charges which are incurred in financing capital expenditures during development should be excluded, if such charges are capitalized. However, if the Project Executing Agency's policy is to meet the cost from operating income, such interest charges should be included in "debt service requirements". Lease payments under finance leases should also be included.
- (vi) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Project Executing Agency not allocated to cover specific liabilities.
- (vii) Whenever for purposes of this paragraph it shall be necessary to value, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such currency is, at the time of valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to ADB.
- (viii) The terms "operations" or "operating" refer to all operations of the Project Executing Agency.

Governance and Corruption

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

27. The Borrower and the Project Executing Agency shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts financed and co-financed by ADB, including provisions specifying the right of ADB to audit and examine the records and accounts of the Project Executing Agency and all contractors, suppliers, consultants, and other service providers as they relate to the Project.