
LOAN NUMBER 3571-SRI

LOAN AGREEMENT
(Ordinary Operations)
(Rooftop Solar Power Generation Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

ASIAN DEVELOPMENT BANK

DATED 18 SEPTEMBER 2018

SRI 50373

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 18 September 2018 between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Section 3.01 of this Loan Agreement;

(B) the Project will be carried out by participating financial institutions ("PFIs") and for this purpose the Borrower shall make available to the PFIs the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

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

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations 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) "CEB" means the Ceylon Electricity Board established under the Ceylon Electricity Board Act 1969 or any successor thereto acceptable to ADB;
- (b) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;
- (c) "LECO" means Lanka Electricity Company Limited, a private limited liability company incorporated in 1983 under the provisions of the Companies Act No. 17 of 1982 and the Companies Act No. 7 of 2007 or any successor thereto acceptable to ADB;

- (d) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (e) "MW" means megawatt;
- (f) "PAM" means the project administration manual for the Project dated August 2017 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;
- (g) "PFIs" means participating financial institutions under the Project;
- (h) "PMU" means the project management unit established for the Project;
- (i) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (j) "Project Steering Committee" or "PSC" means the Project Steering Committee described in the PAM;
- (k) "PUCSL" means the Public Utilities Commission of Sri Lanka;
- (l) "PV system" means photovoltaic system;
- (m) "Qualified Applicant" means an applicant, which satisfies the eligibility criteria set out in paragraph 6 of Schedule 3 to this Loan Agreement;
- (n) "SLR" means Sri Lanka rupee, the currency of the Borrower;
- (o) "SPS" means ADB's Safeguard Policy Statement (2009);
- (p) "Subloan" means a loan made, or proposed to be made, by a PFI out of the proceeds of the Loan for a Subproject;
- (q) "Subproject" means a specific subproject, which satisfies the eligibility criteria set out in paragraph 7 of Schedule 3 to this Loan Agreement, to be carried out by a Qualified Applicant;
- (r) "Subsidiary Loan Agreements" means the agreements between the Borrower and each PFI referred to in Section 3.02 of this Loan Agreement; and
- (s) "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 fifty million Dollars (\$50,000,000), 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 23 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 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:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.20% as provided by Section 3.03 of the Loan Regulations.

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

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 March and 15 September 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 1 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 subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) 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

Description of Project; Use of Proceeds of the Loan

Section 3.01. The Project for which the Loan is made is the financing by PFIs of specific subprojects by making Subloans to Qualified Applicants for Subprojects, in accordance with this Loan Agreement.

Section 3.02. The Borrower shall enter into Subsidiary Loan Agreements with each PFI, providing inter alia for the lending of the SLR equivalent of a portion of the proceeds of the Loan to such PFI, the carrying out of the Project, and the rights of the Borrower and ADB with respect thereto. Such Subsidiary Loan Agreements shall be in form and on terms and conditions acceptable to ADB, and shall be without prejudice to, and without limitation on, the obligations of the Borrower under this Loan Agreement.

Section 3.03. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be used only for making Subloans to Qualified Applicants for Subprojects and shall be applied exclusively to the cost of Goods and Works and other items of expenditure required to carry out such Subprojects.

(b) Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, all Goods and Works in accordance with the provisions of Schedule 2 to this Loan Agreement.

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

- (a) Goods which are produced in and supplied from, and Works which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods and Works which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2022 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 Project, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 3 to this Loan Agreement.

Section 4.02. In addition to the information and reports set forth in Sections 7.01 and 7.04 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 (a) the Loan and the expenditure of the proceeds thereof; (b) the Project; (c) the Qualified Applicants, the Subprojects and the Subloans; (d) the administration, operations and financial condition of PFIs; and (e) any other matters relating to the purposes of the Loan.

Section 4.03. The Borrower shall enable ADB's representatives to inspect any Qualified Applicant, any Subproject, the Goods and Works, and any relevant records and documents maintained by PFIs.

Section 4.04. (a) ADB and the Borrower shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) The Borrower shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Loan Agreement or the Subsidiary Loan Agreements, or the accomplishment of the purposes of the Loan.

(c) ADB and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, the PFIs and the Loan.

ARTICLE V

Effectiveness

Section 5.01. 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 10.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. Each of the Secretary of the Ministry of Finance and Mass Media, the Deputy Secretary to the Treasury, and the Director General of the Department of External Resources, Ministry of National Policies and Economic Affairs, of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Secretary
Ministry of Finance and Mass Media
Colombo 1
Sri Lanka

cc: Deputy Secretary to the Treasury
Director General, Department of External Resources

Facsimile Numbers:

(94) 11 248-4563
(94) 11 244-7633.

For ADB


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

Facsimile Numbers:

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

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

DEMOCRATIC SOCIALIST REPUBLIC
OF SRI LANKA

By 

R.H.S. SAMARATUNGA
Secretary
Ministry of Finance & Mass Media

ASIAN DEVELOPMENT BANK

By 

SRI WIDOWATI
Country Director
Sri Lanka Resident Mission

SCHEDULE 1

Amortization Schedule

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</u>	<u>Installment Share</u> (Expressed as a %)
15 March 2025	2.173913
15 September 2025	2.173913
15 March 2026	2.173913
15 September 2026	2.173913
15 March 2027	2.173913
15 September 2027	2.173913
15 March 2028	2.173913
15 September 2028	2.173913
15 March 2029	2.173913
15 September 2029	2.173913
15 March 2030	2.173913
15 September 2030	2.173913
15 March 2031	2.173913
15 September 2031	2.173913
15 March 2032	2.173913
15 September 2032	2.173913
15 March 2033	2.173913
15 September 2033	2.173913
15 March 2034	2.173913
15 September 2034	2.173913
15 March 2035	2.173913
15 September 2035	2.173913
15 March 2036	2.173913
15 September 2036	2.173913
15 March 2037	2.173913
15 September 2037	2.173913
15 March 2038	2.173913
15 September 2038	2.173913
15 March 2039	2.173913
15 September 2039	2.173913
15 March 2040	2.173913
15 September 2040	2.173913
15 March 2041	2.173913

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 September 2041	2.173913
15 March 2042	2.173913
15 September 2042	2.173913
15 March 2043	2.173913
15 September 2043	2.173913
15 March 2044	2.173913
15 September 2044	2.173913
15 March 2045	2.173913
15 September 2045	2.173913
15 March 2046	2.173913
15 September 2046	2.173913
15 March 2047	2.173913
15 September 2047	<u>2.173915</u>
TOTAL	100.000000

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

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (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: (a) 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 (b) 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 2

Procurement of Goods and Works

General

1. The procurement of Goods and Works shall be subject to and governed by the Procurement Guidelines.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Procurement

3. The Borrower shall cause the PFIs to ensure that each Qualified Applicant undertakes procurement of Goods and Works with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.

Industrial or Intellectual Property Rights

4. (a) The Borrower shall cause the PFIs to ensure that all Goods and Works procured by each Qualified Applicant (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 cause the PFIs to ensure that all contracts entered into by each Qualified Applicant 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) hereinabove.

SCHEDULE 3**Execution of Project**Implementation Arrangements

1. The Borrower shall ensure, and shall cause the PFIs 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 the Loan Agreement, the provisions of this Loan Agreement shall prevail.

Condition for Withdrawal

2. Prior to the first withdrawal, ADB shall have confirmed that the template to be used for the Subsidiary Loan Agreements is, in form and substance, satisfactory.

Disbursement Procedures

3. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook and consistent with the expenditure limits stated in the Subsidiary Loan Agreements. In respect of residential rooftop solar Subprojects, the relevant Subloans shall finance up to 100% of the expenditures claimed (i.e. such portion of the Subloan is an eligible expenditure under the Project). In respect of commercial scale rooftop solar Subprojects, the Borrower shall ensure that PFIs cause the relevant Qualified Applicants to contribute equity to the Subproject.

PFI Eligibility Criteria

4. The Borrower shall ensure that each PFI satisfies and maintains the eligibility criteria set out in the PAM.

5. The Borrower shall cause the PFIs to ensure that the auditors' opinions for their annual audited financial statements covers compliance with the financial covenants in the PFI eligibility criteria.

Qualified Applicants

6. The Borrower shall cause each PFI to ensure that each Qualified Applicant, at all times:

- (a) is financially sound (as evidenced by adequate capital to implement the Subproject), and has adequate financial resources and implementation capacity to complete and operate the relevant Subproject successfully;
- (b) is able to provide security for the Subloan as may be required by the relevant PFI;
- (c) maintains appropriate financial records of income and expenditure to the satisfaction of the Borrower and ADB; and

- (d) is not a related party with respect to the PFI under the Borrower's law and regulations or the Central Bank of Sri Lanka's requirements, including with respect to the PFI's board of directors or senior management.

Subprojects

7. The Borrower shall cause the relevant PFI to ensure that each Subproject is appraised, selected and approved in compliance with the requirements included in the PAM. Without limitation to the generality of the foregoing, the Borrower shall cause the relevant PFI to ensure that each Subproject:

- (a) is for activities that have minimal or no adverse environmental or social impacts under ADB's Safeguard Policy Statement (for the avoidance of doubt, activities with environmental, involuntary resettlement or indigenous peoples impact and classified as Category A or B pursuant to ADB's Safeguard Policy Statement are excluded from the Project);
- (b) does not entail any activities that are included in the list of prohibited activities provided in Appendix 5 of ADB's Safeguard Policy Statement; and
- (c) complies with applicable laws and regulations of the Borrower with respect to environment, health and safety.

Subloans

8. (a) The Borrower shall ensure that a PFI which proposes to make a Subloan or Subloans for a single Subproject in an aggregate amount exceeding the "free limit" amount stated in the PAM, before requesting a withdrawal to fund such Subloan or Subloans, to submit for ADB's approval an application, in a form satisfactory to ADB, and containing a description and appraisal of the Subproject, the terms and conditions of the proposed Subloan and such other information as ADB shall reasonably request. A Subloan shall be deemed to exceed the equivalent of the amount specified in or agreed pursuant to this subsection if the amount of such Subloan, when added to the amount of any other Subloan or Subloans previously made or authorized for the same Subproject, exceeds the equivalent of the "free limit" amount.

(b) The Borrower shall ensure that whenever a PFI has made, or proposes to make, a Subloan or Subloans for a Subproject in an amount not exceeding the equivalent of the amount specified in subsection (a) hereinabove, before submitting a withdrawal application, a statement in form and substance meeting the requirements thereof set forth in the PAM shall be furnished to ADB.

9. The Borrower shall ensure that any application for a Subloan in respect of a rooftop solar Subproject with power generation capacity in excess of 1 MW is considered by the PSC before such Subproject is funded.

10. Subject to paragraph 11 below, no withdrawals shall be made from the Loan Account for amounts expended for the cost of a Subproject prior to ADB's approval of the application described in subparagraph 8(a) above, or receipt of the statement described in subparagraph 8(b) above. For the avoidance of doubt, should such application or statement

not include the required information, any funds which the Borrower may have lent for such Subproject shall not be recoverable from the Loan Account.

11. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, subject to a maximum amount equivalent to 20% of the Loan amount; provided (a) such expenditures shall have been incurred in compliance with the Procurement Guidelines and the SPS; and (b) suitable provisions shall be included in any existing subloans to reflect the provisions required by this Loan Agreement to be included in Subsidiary Loan Agreements.

12. The Borrower shall ensure that PFIs do not make a Subloan to any Qualified Applicant unless such Qualified Applicant has at its disposal, or has made appropriate arrangements to obtain as and when required, all local currency funds, including adequate working capital, and other resources which are required by such Qualified Applicant for the carrying out of its Subproject in respect of which the Subloan is to be made.

Subsidiary Loan Agreement

13. Apart from other requirements stipulated under this Loan Agreement, each Subsidiary Loan Agreement shall include provisions to the effect that:

- (a) the Qualified Applicant shall carry out and operate the Subproject with due diligence and efficiency and in accordance with sound applicable technical, financial, business and development practices, including maintenance of adequate accounts and records;
- (b) the proceeds of the Loan shall be used only for procurement in member countries of ADB, in accordance with procedures acceptable to ADB, of Goods which are produced in and supplied from, and Works which are supplied from, such countries;
- (c) the Goods and Works shall be used exclusively in the carrying out of the Subproject;
- (d) ADB and the Borrower shall each have the right to inspect such Goods and Works, the Qualified Applicant, the Subproject and any relevant records and documents;
- (e) ADB and the Borrower shall each be entitled to obtain all such information as each shall reasonably request relating to the Subloan, the Goods and Works, the Qualified Subproject, the Qualified Applicant and other related matters;
- (f) each Subproject shall (i) be unlikely to have more than minimal environmental impacts; (ii) have no involuntary resettlement impacts; and/or (iii) have no impacts on indigenous peoples; and
- (g) each Subproject shall comply with SPS as it applies to financial intermediary category C subprojects and the Borrower's national and

state level policies, laws and regulations relating to the environment, resettlement and indigenous peoples.

14. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

Project Implementation Support

15. The Borrower shall ensure that each of CEB and LECO support project implementation through the Project's completion date by providing technical recommendations to the PFIs regarding proposals of potential Qualified Applicants in their areas of responsibility, including review and approval of applications for connection of rooftop solar systems to the distribution network and confirming quality of generated power.

Gender and Development

16. The Borrower shall 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.

Governance and Anticorruption

17. The Borrower shall, and shall ensure that the PFIs 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.

18. The Borrower shall, and shall ensure that the PFIs shall, cause all contracts in relation to the Project to include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

19. The Borrower shall ensure that the PFIs:

- (a) comply with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;

- (b) formulate and implement internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
- (c) promptly inform it and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs the Borrower of its concern that there has been such an alleged violation, the Borrower shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.

Operational Performance Covenants

20. The Borrower shall ensure that the requirements of the Electricity Act No. 20 of 2009 and Sri Lanka Sustainable Energy Authority Act No. 35 of 2007 necessitating a generating facility to obtain a license or an exemption, as applicable, and an energy permit for systems located in the "development areas", as applicable, are adhered to for rooftop solar PV systems built under the Project.

21. The Borrower shall ensure, or cause the CEB to ensure, that revenue losses incurred in the bulk supply transaction account to be established by CEB's transmission licensee owing to rooftop solar PV systems shall be compensated from funds in such account, and shall cause CEB to publish the transactions of such account at regular intervals.

22. The Borrower shall cause CEB and LECO to estimate the revenue gaps due to rooftop solar program and other renewable energy purchase obligations and include the information explicitly in the annual tariff revision application for PUCSL's consideration as part of the tariff methodology, and disclose such revenue gaps in their annual reports.

23. The Borrower shall ensure that the technical standards and guidelines for equipment selection and in the construction of rooftop solar PV systems, to be developed under ADB-administered technical assistance, shall be adhered to in the Project.

Records and Accounts

24. The Borrower shall maintain records and accounts adequate to record the progress of the Project and of each Subproject (including the cost thereof).

25. Without limiting the generality of Section 4.02 of this Loan Agreement, the Borrower shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the PFIs. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

26. Promptly after the Loan Closing Date, but in any event not later than 3 months after the Loan Closing Date or such later date as ADB may agree for this purpose, the Borrower shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall

reasonably request, on the utilization of the Loan, the execution of the Subprojects, their costs, the performance by the PFIs of their respective obligations under the Subsidiary Loan Agreements and the accomplishment of the purposes of the Loan.

27. (a) The Borrower shall (i) prepare annual statements of utilization of funds for the Project in accordance with accounting principles acceptable to ADB; (ii) have such statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iii) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (iv) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited statements of utilization of funds for the Project and the opinion of the auditors on the statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the statements of utilization of funds for the Project with the auditors appointed by the Borrower pursuant to subsection (a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. Such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.