

CONFORMED COPY

NUMBER B-002-0 BD

Indemnity Agreement

(Haripur Power Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 4, 2001

NUMBER B-002-0 BD

INDEMNITY AGREEMENT

AGREEMENT, dated April 4, 2001, between PEOPLE'S REPUBLIC OF BANGLADESH (Bangladesh) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) Pursuant to a Loan Agreement (the IDA Guaranteed Facility Agreement) dated as of April 4, 2001, between AES Haripur (Private) Limited (the Project Company), Australia and New Zealand Banking Group Limited acting through its London branch as agent (the Agent) and the financial institutions named therein as lenders (the IDA Facility Lenders), the IDA Facility Lenders have agreed to make available to the Project Company a loan of up to sixty million nine hundred thousand United States dollars (US\$60,900,000) (the Loan Amount) to support a portion of the financing of the Haripur Power Project (the Project) as defined in the Implementation Agreement dated September 17, 1998 (the Implementation Agreement) between Bangladesh and the Project Company;

(B) Bangladesh has undertaken certain obligations (including payment obligations) to the Project Company with respect to the Project pursuant to (i) the Implementation Agreement, a guarantee (the Government Guarantee) dated April 4, 2001 and a lease (the Land Lease Agreement) dated September 17, 1998 (as re executed on July 12, 2000 and formally rectified in writing as to Schedule 1 thereof), all entered into between Bangladesh and the Project Company; (ii) a Power Purchase Agreement (the PPA) dated September 17, 1998 between BPDB and the Project Company and a Gas Supply Agreement (the GSA) dated September 17, 1998 between Titas, as gas supplier, and the Project Company; (iii) certain amendments thereto made by related agreements dated January 21, 2001 among Bangladesh, the Project Company, BPDB, Titas and the IDA Facility Lenders (the Amending Agreements); and (iv) certain provisions (the Direct Provisions) of Direct Agreements (Acknowledgment and Consent Instruments) (as defined below) dated April 4, 2001 among the same parties;

(C) In its letter to the Association dated April 21, 1999 (under reference

No. ERD/IDA-4/P-45/97/217), Bangladesh reaffirmed its commitment to implement important ongoing and new reforms in the electricity and gas sectors and the Association has taken both such reaffirmation and Bangladesh's Power Policy Statement of January 2000 into consideration when deciding to proceed with the provision of the IDA Guarantee;

(D) At the request and with the agreement of Bangladesh, the Association has agreed to guarantee (the IDA Guarantee) the payment of interest and the repayment of the principal of the Loan Amount on the terms and conditions set forth in the IDA Guarantee Agreement, but only on condition that Bangladesh agree to reimburse to the Association all amounts paid by the Association directly or indirectly in relation to or arising from the IDA Guarantee and to undertake such other obligations to the Association as are set forth in this Agreement; and

(E) In consideration of the Association providing the IDA Guarantee pursuant to the IDA Guarantee Agreement, Bangladesh has undertaken the obligations to the Association set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Incorporation of General Conditions and Modifications

Section 1.01. (a) The following provisions of the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (hereinafter the General Conditions), with the modifications set forth in paragraph (b) of this Section constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Section 2.01(1), (2), (3) and (4) as modified below, (7), (8), (9), (10) and (12) all as modified below and (14), 2.02 and 2.03;
- (iii) Section 3.04 (c) and 3.05;
- (iv) Sections 4.05 and 4.06;
- (v) Section 8.01;
- (vi) Sections 9.01 and 9.02 both as modified below;
- (vii) Section 9.08;
- (viii) Sections 10.01, 10.02 both as modified below and Section 10.03;
- (ix) Article XI; and
- (x) Section 12.02.

(b) The General Conditions shall be modified as follows:

- (i) the term "Borrower," wherever used in the General Conditions, means Bangladesh;
- (ii) the term "Credit", wherever used in the General Conditions, means the amounts payable by Bangladesh under this Agreement, save as used in Section 9.01 where it shall mean the Project;
- (iii) the term "Development Credit Agreement", wherever used in the General Conditions, means this Agreement;
- (iv) the term "Effective Date", wherever used in the General Conditions, means the date stated in Article V of this Agreement;
- (v) the term "Project," wherever used in the General Conditions, means the Haripur Power Project as defined in the Preamble to this Agreement;
- (vi) In Section 10.02 the phrase "the IDA Guarantee Agreement, the IDA Guaranteed Facility Agreement, the Transaction Documents or any

other related document" is added immediately after the phrase "the Development Credit Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

- (a) For the purposes of Article III Section 3.07(b) of this Agreement:
- (i) "Net Revenue available for Debt Service Requirements" shall mean operating revenue from core business operations in the relevant year, less (i) operating expenses, including payments to IPPs, but excluding depreciation; and (ii) increases in working capital;
 - (ii) "Debt" shall mean any indebtedness (including guarantees of third party debt, if any) maturing under its terms more than one year after the date of which it was incurred. Debt shall be deemed incurred on the date it became outstanding pursuant to the terms of the credit agreement, debt instrument (in each case as amended from time to time) or on the date the guarantee was issued (to the extent the guaranteed debt is outstanding);
 - (iii) "Debt Service Requirements" shall mean the total amount of interest, charges and other costs and principal repayment obligations under the terms of the Debt.
- (b) "Applicable Laws of Bangladesh" means all laws in force in Bangladesh, and includes all rules, regulations, orders, directives, notifications made or issued by any competent authority pursuant to or under any such law and any decree or judicial decision (not in suspense as a result of an appeal) given by or pronounced by any court of competent jurisdiction;
- (c) "BPDB" means Bangladesh Power Development Board created as a statutory corporation pursuant to the Bangladesh Water and Power Development Boards Order 1972 (P.O. No - 59 of 1972) or its successor entity;
- (d) "Change in Law" shall have the meaning set forth in the Implementation Agreement at its date of signature, save that it shall not include any decree or judicial decision which is in suspense as a result of an appeal;
- (e) "Demand Notice" means a demand presented to the Association by the Agent in accordance with and as defined in the IDA Guarantee Agreement and substantially in the form of Schedule 1 thereto;
- (f) "DESA" means Dhaka Electricity Supply Authority constituted pursuant to DESA Act (No. 36) 1990 or its successor entity;
- (g) "Direct Agreements (Acknowledgment and Consent Instruments)" shall mean the agreements dated April 4, 2001 entered into among Bangladesh, BPDB, Titas, the Project Company and the IDA Facility Lenders, each relating to the Implementation Agreement, the Power Purchase Agreement, the Gas Supply Agreement and the Land Lease Agreement;
- (h) "Direct Provisions" means Sections 3.13, 6.1 and 6.2 of the Direct Agreement relating to the Implementation Agreement; Sections 3.10, 6.1 and 6.2 of the Direct Agreement relating to the Power Purchase Agreement, Section 3.9, 6.1 and 6.2 of the Gas Supply Agreement and Sections 6.1 and 6.2 (as referred to in Clause 2 of the IDA Guarantee Agreement) of the Direct Agreement relating to the Land Lease Agreement;
- (i) "Environmental Action Plan" shall mean all actions, measures, monitoring and other activities to be undertaken by the Project Company as set out in the Environmental Impact Assessment (including the resettlement action plan) prepared by ESG International for and submitted by the Project Company and dated March 1999 as approved by the Association and by Bangladesh;
- (j) "Event of Default", "GoB Event of Default", "Company Event of Default", "BPDB Event of Default", "Gas Supplier Event of Default", "Force Majeure Event", "Political Force Majeure Event", "Other Force Majeure Event", "Lessee Event of Default", and "Lessor Event of Default" shall have the respective meanings set forth in the Implementation Agreement, the Land Lease Agreement, the GSA and the PPA at their respective dates of signature;

(k) "Finance Documents" shall mean the credit agreements and related agreements entered into among the Project Company, AES Corporation, AES Oasis Finco, Ltd and the IDA Facility Lenders and dated April 4, 2001 including, inter alia, the Intercreditor and Common Terms Agreement, the Senior Sponsor Facility, the Security Documents, the Share Retention and Project Funds Agreement, the Accounts Agreement and any other document designated as a Finance Document pursuant to the Intercreditor and Common Terms Agreement entered into among the above parties and dated April 4, 2001;

(l) "IDA Guarantee Agreement" shall mean the agreement dated April 4, 2001 between the Association and the Agent;

(m) "Independent Power Producer" shall mean any party which has entered into a discussion or agreement with Bangladesh to construct, operate, and maintain a power generation complex in Bangladesh with a view to selling electricity to a Public Sector Entity;

(n) "Ministry of Energy and Mineral Resources" shall mean the Ministry of Energy and Mineral Resources of Bangladesh;

(o) "Ministry of Finance" shall mean the Ministry of Finance of Bangladesh;

(p) "Transaction Documents" shall mean the Finance Documents, the IDA Project Agreement and the Project Documents;

(q) "IDA Project Agreement" shall mean the agreement dated April 4, 2001 between the Association and the Project Company;

(r) "Project Documents" shall mean all or any of the Implementation Agreement, the Government Guarantee, the Power Purchase Agreement, the Gas Supply Agreement, the Land Lease Agreement (and the respective Amending Agreements referenced in Recital B), the Direct Agreements (Acknowledgment and Consent Instruments), the EPC Contract and the O&M Contract (each as defined in the Intercreditor and Common Terms Agreement and as entered into by the Project Company for the construction, financing and operation of the Project) and the other documents so defined under the Intercreditor and Common Terms Agreement, collectively or individually as the context may require;

(s) "Public Sector Entity" shall have the meaning set forth in the Implementation Agreement (at the date of its signature) and shall include BPDB and Titas (and their successor entities, whether public or private); and

(t) "Titas" shall mean Titas Gas Transmission and Distribution Company Ltd, a company incorporated under the Bangladesh Companies Act 1913 (Act VII of 1913) and any successor entity.

ARTICLE II

Indemnity by Bangladesh to the Association

Section 2.01. In consideration of the Association providing the IDA Guarantee on the terms and conditions set out in the IDA Guarantee Agreement, Bangladesh hereby irrevocably and unconditionally agrees:

(a) to reimburse the Association immediately upon written demand or as the Association may otherwise direct in writing for any amount paid by the Association under the Guarantee Agreement in United States Dollars together with interest thereon at the rate per annum determined by the Association, (which rate shall not exceed the Bank's prevailing lending rate in Dollars) from the date such payment is made by the Association until such amount is paid in full;

(b) to indemnify the Association on demand in respect of all actions, proceedings, liabilities, claims, losses, damages, costs and expenses brought against, suffered or incurred by the Association directly or indirectly in relation to or arising out of the IDA Guarantee Agreement (except as otherwise provided in Section 10.03(i) of the General Conditions);

(c) that (i) the Association is authorized to comply with any Demand Notices served on the Association pursuant to the IDA Guarantee Agreement and make any payments which may be due or claimed from the Association under the IDA Guarantee (the Association shall promptly notify Bangladesh of any such demand, but failure to give such notice shall in no way affect the Association's obligation to make payment under

the IDA Guarantee or Bangladesh's obligation to reimburse or indemnify the Association pursuant to this Agreement) (ii) it shall not be incumbent on the Association to inquire whether or not any statements in any such Demand Notice are in fact correct; and

(d) that any such Demand Notice shall, as between Bangladesh and the Association, be conclusive evidence that the demand is properly made and payment is properly due. Following the notification to Bangladesh of the receipt by the Association of any Demand Notice, Bangladesh may investigate the validity of the statements in such Demand Notice and take such actions as Bangladesh may deem fit against the Project Company, the Agent and the IDA Facility Lenders in respect thereof, all without prejudice to the Association's obligations under the IDA Guarantee Agreement to make a payment in respect of such Demand Notice and to Bangladesh's obligations under this Agreement in relation to such payment by the Association. The obligations of Bangladesh hereunder shall apply notwithstanding that Bangladesh or any of the Public Sector Entities disputes the validity of any such Demand Notice or the accuracy or correctness of any documentation, fact or figures relied upon or stated therein.

Section 2.02. (a) The obligations of Bangladesh under this Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Project Company, the Agent, the IDA Facility Lenders or any other person or any prior notice to or demand upon Bangladesh with regard to any failure by the Project Company to pay any amount in respect of which a Demand Notice is served on the Association pursuant to the IDA Guarantee Agreement. Such obligations shall not be impaired by any of the following: (i) any extension of time, forbearance, concession or other indulgence given to the Association, the Project Company, the Agent, the IDA Facility Lenders or any other person; (ii) any variation of the IDA Guarantee Agreement, the IDA Guaranteed Facility Agreement, any Finance Documents, Project Documents or any other related agreement; (iii) any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against Bangladesh, the Project Company or other person or in respect of any security for the Loan Amount (or any part thereof or interest thereon); or (iv) any other circumstances which would or might (but for this provision) constitute a release, discharge, defense or waiver for Bangladesh.

(b) The Association may at any time, without thereby discharging, impairing or otherwise affecting any rights, powers and remedies hereby created or conferred upon it by this Agreement, the IDA Guaranteed Facility Agreement, the IDA Guarantee Agreement, the IDA Project Agreement, the Finance Documents, the Project Documents or any other related agreement or by law: (i) offer or agree to or enter into any agreement for the extension or variation of the IDA Guarantee Agreement (except one which would materially increase the obligations of Bangladesh under this Agreement), the IDA Guaranteed Facility Agreement, any Finance Document or Project Document or any other related agreement; and (ii) offer or give or agree to give any time or other indulgence to any other person or entity from whom it may seek reimbursement (at law or otherwise) in respect of sums paid out or liabilities incurred by the Association under the IDA Guarantee Agreement.

(c) Any rights conferred on the Association by this Agreement shall be in addition to, and not in substitution for or derogation of, any other right which the Association may at any time have to seek, from Bangladesh, the Project Company or any other person or entity, reimbursement of or indemnification against payments made or liabilities arising from or in connection with the IDA Guarantee Agreement.

(d) The Association shall not be obliged before or after taking steps to enforce any rights conferred on it by this Agreement or exercising any of the rights, powers and remedies conferred upon the Association by this Agreement, the IDA Guarantee Agreement, the IDA Project Agreement, the IDA Guaranteed Facility Agreement, any Finance Document, the Project Documents or any other related agreement or by law: (i) to take action or obtain judgment or award in any court or tribunal of competent jurisdiction against any other person (including persons from whom it may seek reimbursement in respect of sums paid out or liabilities incurred pursuant to the IDA Guarantee Agreement); or (ii) to enforce or seek to enforce any other rights it may have against Bangladesh or its rights against or security given by any other person including, but not limited to, security provided by the IDA Facility Lenders to the Association.

Section 2.03. Any payment required to be made by Bangladesh pursuant to the terms of this Agreement shall be applied first, to pay all interest and other charges due to the Association and second, after such interest and other charges are paid, to

pay all other amounts then due to the Association under this Agreement.

ARTICLE III

Project-Related Covenants

Section 3.01. Without limitation or restriction upon any of its other obligations under this Agreement, Bangladesh hereby unconditionally undertakes to the Association punctually to perform all of its obligations under the Implementation Agreement, the Land Lease Agreement, the Government Guarantee, the Amending Agreements and the Direct Provisions and to cause the Public Entities punctually to perform all of their obligations under the PPA, the GSA, the Amending Agreements and the Direct Provisions.

Section 3.02. Bangladesh shall notify the Association prior to agreeing to any amendment, waiver, termination or other change to the Implementation Agreement, the Land Lease Agreement, the Government Guarantee, the PPA, the GSA, the relevant Amending Agreements or Direct Agreements (Acknowledgment and Consent Instruments) (including the Direct Provisions) referred to in Recital B hereof and shall obtain the written consent of the Association prior to agreeing to any amendment, waiver, termination or other change to such agreements and undertakings which would or could in the opinion of the Association materially affect the rights or obligations of the Association under the IDA Guarantee Agreement, the Transaction Documents or the IDA Project Agreement.

Section 3.03. Bangladesh shall not take any action which would prevent or interfere with the performance by the Public Sector Entities of any of their obligations under the PPA, the GSA, the Amending Agreements or Direct Provisions and shall cause the Public Sector Entities to notify the Association prior to agreeing to any amendment, waiver, termination or other change and to obtain the written consent of the Association prior to agreeing to any amendment, waiver, termination or other change to the PPA, the GSA, the relevant Amending Agreements or Direct Agreements (Acknowledgment and Consent Instruments) (including the Direct Provisions) referred to in Recital B hereof which would or could in the opinion of the Association materially affect the rights or obligations of the Association (pursuant to the IDA Guarantee Agreement, the Finance Documents or the IDA Project Agreement) including, without limitation, any assignment, transfer, novation, abrogation, granting of security over or other disposition of any rights or obligations under such agreements.

Section 3.04. Bangladesh shall promptly notify the Association of any GoB Event of Default, Company Event of Default, BPDB Event of Default, Gas Supplier Event of Default, Political Force Majeure Event, Other Force Majeure Event or other Event of Default, any notice of any such event, any notice of intent to terminate or termination notice or any event or circumstance which would or could adversely affect Bangladesh's ability to perform its obligations or exercise its rights under the Implementation Agreement, the Land Lease Agreement, the Government Guarantee, the relevant Amending Agreement or relevant Direct Provisions, or the ability of any of the Public Sector Entities to perform its obligations or exercise its rights under the PPA, the GSA, the relevant Amending Agreements, or the relevant Direct Provisions.

Section 3.05. Bangladesh shall take all actions within its power to (i) remedy and cure each GoB Event of Default and each Force Majeure Event and each BPDB Event of Default and Gas Supplier Event of Default; (ii) challenge and remove any order, decision or judgment (whether temporary or permanent) and the effect thereof in any legal action commenced by a third party in Bangladesh which restricts or prevents the resolution of any dispute (including but not limited to its submission to arbitration and the due completion of such arbitration) between Bangladesh and/or the Public Sector Entities and the Project Company (and/or the IDA Facility Lenders) in accordance with the provisions of the Implementation Agreement, the GoB Guarantee, the PPA, the GSA or the Land Lease Agreements (all as amended by the Amending Agreements) and the Direct Provisions.

Section 3.06. Bangladesh shall not create or permit to exist or occur, and shall ensure that no Public Sector Entity shall create or permit to exist or occur, any circumstances or change in the Applicable Laws of Bangladesh which would render obligations under the Implementation Agreement, the PPA, the GSA, the Land Lease Agreement, the Government Guarantee, the Amending Agreements or the Direct Provisions illegal, invalid, unenforceable, ineffective or void in whole or part. If such circumstances or change in Applicable Laws of Bangladesh exist or occur, Bangladesh shall take all actions within its power to remedy and cure, or to procure that the appropriate Public Sector Entity remedy and cure the adverse effect on the Project of such circumstances or change in Applicable Laws of Bangladesh. If such circumstances

or change in Applicable Laws of Bangladesh affect IDA's obligations IDA will be consulted.

Section 3.07 (a) Without prejudice to Section 9.02 of the General Conditions, Bangladesh will put in place, (with assistance from the Association), by October 31, 2001, a framework for monitoring direct and contingent liabilities, guarantees issued to non-sovereign borrowings in foreign currency and payment obligations (whether through direct agreement or guarantees) arising from foreign investments. Within such framework, Bangladesh will (i) through the Bangladesh Bank and the Ministry of Finance, monitor on a continuing basis, the level of its contingent liabilities in foreign exchange generated by Public Sector Entities' direct or indirect commitments to Independent Power Producers, in particular the foreign exchange payment obligations owed by Public Sector Entities to Independent Power Producers; and (ii) through its Ministry of Finance, report on an annual basis at the end of each fiscal year, incremental contingent liabilities relating to Independent Power Producers during the preceding fiscal year and the annual debt service coverage ratio as defined in (b) below to the Association. The Ministry of Finance will also provide any additional related information that the Association may reasonably request from time to time.

(b) Bangladesh will not contract to develop any incremental power generation capacity ("IPGC"), through IPPs, in excess of the 1780MW already contracted or under negotiation at the date of this Agreement (as listed for the projects identified in Schedule 1 hereto), unless (i) consultation with Association has taken place prior to the preparation or solicitation of any new IPP proposal and, in any event, prior to any Cabinet authorization for the issue of invitations to tender or to negotiate in relation to such IPP proposal and (ii) following such consultation, it is agreed with the Association that such IPP proposal will be consistent with least cost development, will be competitively bid and passes both affordability tests set out below in this Section 3.07(b), namely: (x) the prospective power offtaker (BPDB, DESA or other Public Sector Entity) satisfies the debt service coverage ratio test set out below and (y) the estimated impact of the proposed IPGC on Bangladesh's external debt service coverage ratio is within the range set out below:

Debt Service Coverage Tests for Evaluating IPGC

For the purposes of (x) above, the debt service coverage ratio test for IPGC shall be satisfied by the prospective power offtaker demonstrating (through the provision of audited annual financial statements for the latest fiscal year immediately preceding the date of consultation with the Association and the provision of financial projections endorsed by its Board of Directors and the Ministries of Finance and Energy for the following two fiscal years) that it had and will have Net Revenue available for Debt Service Requirements at least 1.2 times its Debt Service Requirement for each of the three years.

For the purposes of (y) above, the debt service coverage ratio is defined as the ratio of annual foreign exchange debt service payments due from Bangladesh to the annual foreign exchange earnings by Bangladesh from exports of goods and services and remittances. The debt service coverage ratio test for IPGC shall be satisfied if this ratio for the year of consultation and the following three (3) years on a projected basis falls within a range between eighteen to twenty percent (18% to 20%).

(c) Bangladesh will: (i) equalize natural gas prices for all power generation plants in Bangladesh by valid enactment or legislation at the latest by July 1, 2003 or the date on which installed private sector electricity generation capacity in Bangladesh reaches 1780 MW, whichever is the earlier; and (ii) notify the Association annually at the end of each fiscal year, of the amount of commissioned capacity under Schedule 1 to this Agreement and any other IPGC established during the year or being considered.

(d) Bangladesh hereby covenants for the term of the IDA Guarantee to ensure BPDB's (or its successor's) payment obligations arising from or in connection with the PPA are discharged.

Section 3.08. Bangladesh will:

(a) carry out promptly or cause to be carried out promptly any action required to be performed by it or by Public Sector Entities to enable the Project Company to comply with the requirements of the Environmental Action Plan;

(b) take all action which shall be necessary on its part or on the part of Public Entities to enable the Project Company (i) to obtain any Governmental Approval or environmental authorization for the Project required under the Environmental Action

Plan and (ii) to perform all its obligations under the IDA Project Agreement and the Transaction Documents;

(c) not take any action or to cause or permit any Public Sector Entities to take any action which would prevent or interfere with the performance by the Project Company of such obligations;

(d) provide by June 30, 2002 (or such other date as may be agreed between Bangladesh and the Association) a Financial Action Plan (FAP) which has been adopted by BPDB's Board of Directors and endorsed by Power Division, Ministry of Energy and the Mineral Resources and Finance Division, Ministry of Finance, satisfactory to the Association, and targeting improvements in BPDB financial position through, inter alia, cost reductions, improvement in collections and tariff increases. The FAP shall provide for the preparation of an annual progress report by BPDB, a copy of which shall be submitted annually by Bangladesh to the Association (within two months of BPDB's financial year end) for review by the Association.

Section 3.09. Bangladesh affirms to the Association that no corrupt or fraudulent practices have been engaged in by any representative of Bangladesh or of any Public Sector Entity with respect to the Project and declares its commitment to enforce the laws of Bangladesh against fraud and corruption during and with respect to the performance of any contract or activity to be financed out of the Loan Amount.

Section 3.10. Without prejudice to Sections 9.01 and 9.02 of the General Conditions, Bangladesh shall provide the Association promptly upon request all information necessary, in the reasonable opinion of the Association, for the Association's review of Bangladesh's performance of its covenants pursuant to Section 3.07 above and for a review of the relevant monitoring mechanisms and indicators.

ARTICLE IV

Remedies of the Association

Section 4.01. In the event that: (i) Bangladesh fails to make any payment to or to indemnify the Association as required pursuant to Section 2.01 of this Agreement; (ii) Bangladesh defaults in the performance of any of its obligations hereunder, and such failure or default continues and remains uncured in the opinion of the Association for sixty (60) days or more after notice thereof shall have been given to Bangladesh by the Association; or (iii) any representation made by Bangladesh in or pursuant to this Agreement, or any statement furnished in connection with this Agreement and intended to be relied on by the Association in providing the IDA Guarantee, shall in the opinion of the Association have been incorrect in any material respect, the Association shall be entitled, in addition to any other rights and remedies it may have, to suspend or cancel in whole or in part Bangladesh's right to make withdrawals under any Development Credit Agreement between the Association and Bangladesh or to declare the outstanding principal and interest of any such Development Credit Agreement due and payable immediately.

ARTICLE V

Effective Date

Section 5.01. This Agreement shall come into force and effect upon signature.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. The Secretary of the Economics Relations Division of the Ministry of Finance of Bangladesh is hereby designated as representative of Bangladesh for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For Bangladesh:

Economic Relations Division
Ministry of Finance
Government of People's Republic of Bangladesh
Dhaka, Bangladesh

Cable address:

Telex:

Facsimile:

BAHIRSAMPAD
Dhaka

642226 SETU BJ (8802) 811-3088
672796 SETU BJ

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Attention: Vice President, South Asia Region

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) (202) 522-3707
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Masur Rahman

Secretary, Economic Relations Division
Ministry of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Frederick Thomas Temple

Authorized Representative

SCHEDULE 1

Independent Power Producers
Capacity Contracted or under negotiation at the date of
signature of this Indemnity Agreement

Plant	Approximate Capacity in MW
Haripur	360
Meghnaghat I	450
Baghabari	170
Khulna Barge	110
Haripur Barge	110
Baghabari Barge	130
Meghnaghat II	450
Total	1780 MW