

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(Second Urban Environmental Management in the Tonle Sap Basin Project)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 24 OCTOBER 2018

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 24 October 2018 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 Project described in Schedule 1 to this Loan Agreement;

(B) by a grant agreement of even date herewith between ADB and the Borrower ("Grant Agreement"), ADB has agreed to provide a grant in the amount of one million two hundred seventy thousand Dollars (\$1,270,000) from ADB's Special Funds resources; and

(C) 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;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All 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) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (b) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;
- (c) "EMP" means each environmental management plan for the Project, including any update thereto, incorporated in the IEE;

- (d) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (e) "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;
- (f) "IEE" means any initial environmental examination for the Project, including any updates thereto, prepared and submitted by the Borrower and cleared by ADB;
- (g) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (h) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (i) "IPPF" means the indigenous peoples planning framework for the Project, prepared and submitted by the Borrower and cleared by ADB;
- (j) "km" means kilometer;
- (k) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (l) "m³" means cubic meters;
- (m) "m³/d" means cubic meters per day;
- (n) "MPWT" means the Ministry of Public Works and Transport of the Borrower or any successor thereto;
- (o) "PAM" means the project administration manual for the Project dated 30 May 2018 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;
- (p) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (q) "Procurement Manual" means the Procurement Manual under the Standard Operating Procedures prepared by the Borrower and endorsed by ADB, which sets forth the procurement-related policies and procedures for externally-financed projects and programs;

- (r) "Procurement Plan" means the procurement plan for the Project dated 30 May 2018 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB (which include the Standard Operating Procedures and the Procurement Manual as updated from time to time);
- (s) "Project Executing Agency" or "EA" for the purposes of, and within the meaning of the Loan Regulations means MPWT or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (t) "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (u) "RP" means any resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (v) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (w) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP and the RP (as applicable), including any corrective and preventative actions;
- (x) "Standard Operating Procedures" means the Standard Operating Procedures of the Borrower (sub-decree no. 74 ANK.BK dated 22 May 2012, as amended from time to time) providing the procedures applicable to all externally financed projects and programs;
- (y) "Works" means construction or civil works to be financed out of the proceeds of the Loan and Grant, 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; and
- (z) "WWT" means waste water treatment.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of eighty-seven million seven hundred thirty thousand Dollars (\$87,730,000).

(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 (b) 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 1 January and 1 July in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. 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.

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 in accordance with the provisions of Schedule 4 to this Loan Agreement.

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

- (a) Goods which are produced in and supplied from and Works and Consulting Services 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, Works, and Consulting Services 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 8.02 of the Loan Regulations shall be 30 June 2024 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 and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall cause the Project Executing Agency to (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial 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; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial 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 (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial 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 financial statements for the Project and the opinion of the auditors on the financial 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 financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Grant Agreement shall have become liable for suspension or cancellation.

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

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Grant Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than the condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, 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: the Grant Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than the condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. 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 7.02. 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 Numbers:

+855 23 427-798
+855 23 428-424

For ADB

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

Facsimile Numbers:

+632 636-2444
+632 636-2081.

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 

SUNNIYA DURRANI-JAMAL
Country Director
Cambodia Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve urban environmental services in participating towns.

2. The Project shall comprise the following:

Component 1: Improvement of urban infrastructure

- (a) a new 4,800 m³/d capacity WWT plant at Battambang and about 86.8 km of new sewers;
- (b) a new 2,500 m³/d capacity WWT plant in Stueng Saen and about 39 km of new sewers;
- (c) a new 2,500 m³/d capacity WWT plant in Serei Saophoan and about 78 km of new sewers;
- (d) two drainage subprojects, a 17.1 km drainage network in Stueng Saen and an 8.5 km drainage network in Serei Saophoan;
- (e) three controlled landfills in Stueng Saen (48,000 m³), Serei Saophoan (130,00 m³), and Battambang (350,000 m³);
- (f) free household latrines for about 760 poor households;

Component 2: Improvement of institutional effectiveness

- (g) improving staff capacity in critical urban service delivery areas;
- (h) supporting the establishment of urban service units;
- (i) providing dedicated consultant support for project management;

Component 3: Improvement of policy and planning environment

- (j) developing urban development strategies and master plans for all three cities;
- (k) a roadmap for financial sustainability for wastewater and solid waste; and

- (l) building community awareness on benefits of proper sanitation, separate sewerage systems and safe disposal of solid waste.
-

- 3. The Project will provide Consulting Services to undertake the above.
- 4. The Project is expected to be completed by 31 December 2023.

SCHEDULE 2**Amortization Schedule**

Date Payment Due	Payment of Principal (Expressed in \$)
1 January 2027	1,827,708
1 July 2027	1,827,708
1 January 2028	1,827,708
1 July 2028	1,827,708
1 January 2029	1,827,708
1 July 2029	1,827,708
1 January 2030	1,827,708
1 July 2030	1,827,708
1 January 2031	1,827,708
1 July 2031	1,827,708
1 January 2032	1,827,708
1 July 2032	1,827,708
1 January 2033	1,827,708
1 July 2033	1,827,708
1 January 2034	1,827,708
1 July 2034	1,827,708
1 January 2035	1,827,708
1 July 2035	1,827,708
1 January 2036	1,827,708
1 July 2036	1,827,708
1 January 2037	1,827,708
1 July 2037	1,827,708
1 January 2038	1,827,708
1 July 2038	1,827,708
1 January 2039	1,827,708
1 July 2039	1,827,708
1 January 2040	1,827,708
1 July 2040	1,827,708
1 January 2041	1,827,708
1 July 2041	1,827,708
1 January 2042	1,827,708
1 July 2042	1,827,708
1 January 2043	1,827,708
1 July 2043	1,827,708
1 January 2044	1,827,708
1 July 2044	1,827,708
1 January 2045	1,827,708
1 July 2045	1,827,708
1 January 2046	1,827,708
1 July 2046	1,827,708
1 January 2047	1,827,708

Date Payment Due	Payment of Principal (Expressed in \$)
1 July 2047	1,827,708
1 January 2048	1,827,708
1 July 2048	1,827,708
1 January 2049	1,827,708
1 July 2049	1,827,708
1 January 2050	1,827,708
1 July 2050	1,827,724
TOTAL	87,730,000

* 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.

Interest Charge

3. The amount allocated to Category "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

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

Disbursement Procedures

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

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Civil Works#	66,470,000	90.9% of total expenditure claimed
2	Goods and Equipment	2,370,000	100% of the total expenditure claimed*
3	Consulting Services	5,660,000	100% of total expenditure claimed*
4	Incremental Administration Cost	750,000	100% of total expenditure claimed
5	Interest Charge	2,460,000	100% of amount due
6	Unallocated	10,020,000	
	Total	87,730,000	

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

subject to upfront full utilization of the grant under the Grant Agreement.

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. Except as ADB may otherwise agree, Goods and Works shall be procured, and Consulting Services shall be selected and engaged, only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
3. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

4. Goods and Works shall be procured on the basis of the procurement methods set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) Shopping.

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Conditions for Award of Contract

6. The Borrower shall not award any Works contracts which involves environmental impacts until the Project Executing Agency has:
 - (a) obtained the final approval of the IEE from the Borrower's relevant authority; and

- (b) incorporated the relevant provisions from the EMP into the Works contract.

7. The Borrower shall not award any Works contract involving involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final RP based on the Project's detailed design and obtained ADB's clearance of such RP. The Borrower shall include in the final RP, among others, a detailed assessment of all the land acquired in anticipation of, and for, the Project including the methods and approaches adopted or to be adopted for land acquisition.

Consulting Services

8. Except as set forth in the paragraph below, the Borrower shall apply Quality- and Cost-Based Selection for Consulting Services.

Industrial or Intellectual Property Rights

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

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

10. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM will become effective only after approval of such change by the Government and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Environment

2. The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project 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; and (c) all measures and requirements set forth in each IEE, each EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

3. The Borrower shall ensure that prior to mobilization for civil works under the Project: (a) project-specific Environmental Safeguards grievance redress mechanism, acceptable to ADB, is established in accordance with the provisions of the EMPs, to consider Environmental Safeguards complaints; and (b) a local level grievance redress mechanism is established and a task force is functioning effectively to (i) review and document eligible complaints of Project stakeholders; (ii) proactively address grievances; (iii) provide the complainants with notice of the chosen mechanism; (iv) prepare periodic reports to summarize (A) the number and types of complaints received and resolved at all levels; (B) chosen actions and time required for resolution; and (C) final outcomes of the grievances; and (v) make the reports available to ADB as part of the regular Project Progress Reports and Environmental Safeguards Monitoring Reports

Involuntary Resettlement

4. The Borrower shall ensure that all land and all rights-of-way required for the Project and all Project facilities 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; and (c) all measures and requirements set forth in the RF, each RP and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

5. Without limiting the application of the Involuntary Resettlement Safeguards or an RP, the Borrower shall ensure that no physical or economic displacement takes place in connection with the Project until: (a) compensation and other entitlements, as relevant, have been provided to affected people in accordance with the RP; and (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

6. The Borrower shall ensure that: (a) no land for the Project is acquired through voluntary land donation, and (b) if any land is acquired through negotiated settlement, the Borrower shall employ a third party to independently verify that (i) consultations with landowners have been undertaken meaningfully, freely and in good faith and the landowners have made informed decisions on use of land, and (ii) terms and conditions of the agreements have been explained and have been understood and agreed by the landowners, all in accordance with the requirements in the RF.

7. The Borrower shall ensure that prior to any land acquisition under the Project: (a) a safeguards grievance redress mechanism, acceptable to ADB, is established in accordance with the provisions of the RF, to consider Involuntary Resettlement Safeguards complaints; and (b) a local level grievance redress mechanism is established and a task force is functioning effectively to (i) review and document eligible complaints of Project stakeholders; (ii) proactively address grievances; (iii) provide the complainants with notice of the decisions made; (iv) prepare periodic reports to summarize (A) the number and types of complaints received and resolved at all levels; (B) chosen actions and time required for resolution; and (C) final outcomes of the grievances; and (v) make the reports available to ADB as part of the regular Safeguards Monitoring Reports. For the purpose of this provision, eligible complaints include those related to resettlement planning and implementation.

Indigenous Peoples

8. The Borrower shall ensure that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous people; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the IPPF and any indigenous peoples plan, which shall be prepared in case of any impacts observed during implementation, and any corrective or preventative actions set for the in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

9. The Borrower shall make available necessary budgetary and human resources to fully implement any EMP and any RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Borrower shall 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, and RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower 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, and RP;

- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

11. The Borrower shall do the following:

- (a) submit semiannual Safeguards Monitoring Reports to ADB 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, and the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan in accordance with the SPS; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP and RP promptly after becoming aware of the breach.

Prohibited List of Investments

12. The Borrower shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards, Health and Safety

13. The Borrower shall ensure that the core labor standards and its applicable laws and regulations are complied with during Project implementation. The Borrower shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among others, (a) comply with all applicable labor laws and regulations of the Borrower; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (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 information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project areas, particularly women. The Borrower shall strictly

monitor compliance with the requirements set forth in this paragraph and provide ADB with regular reports.

Gender Action Plan

14. The Borrower shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets are regularly monitored and reported to ADB using ADB's template; and (e) key gender output targets are monitored regularly and achieved.

Financial Sustainability and Operation and Maintenance Expenditure

15. The Borrower shall cause the Project Executing Agency and the relevant implementing agency to (a) develop a financial sustainability road map (including tariff-setting and collection, public private partnership, budget allocation and other gap-filling measures) for operation and maintenance of the wastewater and solid waste components in each city by the mid-term review of the Project; and (b) set up an appropriate institutional framework or service unit, as applicable, such that the financial sustainability arrangement becomes effective prior to physical completion of the facilities.

Counterpart Support

16. The Borrower shall ensure that counterpart funds for the Project are available on time. In addition to the foregoing, the Borrower shall ensure that the Project Executing Agency has sufficient funds to finance any Works, Goods and Consulting Services contract.

Governance and Anticorruption

17. The Borrower 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 ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all contractors, suppliers, consultants, and other service providers as they relate to the Project.