

---

LOAN NUMBER 2239-PRC

PROJECT AGREEMENT  
(Guangxi Nanning Urban Environmental Upgrading Project)

between

ASIAN DEVELOPMENT BANK

and

GOVERNMENT OF GUANGXI ZHUANG AUTONOMOUS REGION

NANNING MUNICIPAL GOVERNMENT

DATED 6 JULY 2006

---

PAL: PRC 37596

## **PROJECT AGREEMENT**

PROJECT AGREEMENT dated 6 July 2006 between ASIAN DEVELOPMENT BANK (hereinafter called ADB) of the one part and GOVERNMENT OF GUANGXI ZHUANG AUTONOMOUS REGION (hereinafter called GZAR) and NANNING MUNICIPAL GOVERNMENT (hereinafter called NMG) of the other part.

### **WHEREAS**

(A) by a Loan Agreement of even date herewith between People's Republic of China (hereinafter called the Borrower) and ADB, ADB has agreed to make to the Borrower a loan of one hundred million dollars (\$100,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the Loan be made available through GZAR to NMG, and through NMG onlent to the Project Implementing Agencies (hereinafter called PIAs) for the purposes of the Subprojects described in Schedule 1 to the Loan Agreement and that GZAR and NMG undertake certain obligations towards ADB as hereinafter in this Project Agreement set forth; and

(B) GZAR and NMG, in consideration of ADB entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

## **ARTICLE I**

### **Definitions**

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth, except that for purposes of this Project Agreement, when applied to a PIA the term "the Project" means the Subproject implemented by the PIA.

## **ARTICLE II**

### **Particular Covenants**

Section 2.01. (a) GZAR and NMG shall, and shall cause the PIAs to, carry out the Project with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental and, where applicable or solid waste management practices.

(b) In the carrying out of the Project and operation of the Project facilities, NMG shall, and shall cause the PIAs to, perform all obligations set forth in the Loan Agreement to the extent that they are applicable to NMG and the PIAs and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. GZAR and NMG shall make available, and shall cause to be made available, promptly as needed, the funds, facilities, services, equipment, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, NMG shall employ competent and qualified consultants and contractors, acceptable to ADB.

(b) Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. NMG shall, and shall cause the PIAs to, carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. NMG shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) NMG shall, or shall cause the concerned PIA to make necessary arrangements satisfactory to ADB for insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, NMG undertakes and cause the PIAs to undertake to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 2.06. GZAR and NMG shall maintain, or cause the concerned PIA to maintain, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB, GZAR and NMG shall cooperate fully to ensure that the purposes of the Loan will be accomplished and NMG shall ensure that the PIAs to cooperate with ADB to ensure that the purposes of the Loan will be accomplished.

(b) GZAR and NMG 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 Project Agreement or the Onlending Agreement, or the accomplishment of the purposes of the Loan.

(c) NMG shall enable that ADB and the PIAs to, from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, NMG or any concerned PIA and the Loan.

Section 2.08. (a) NMG shall, and shall cause the PIAs to, furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the goods and services and other items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of NMG and the concerned PIA; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, NMG shall, and shall cause each PIA to, furnish to ADB quarterly reports on the execution of the Project and on the operation and management of the Project facilities. 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 quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as ADB may agree for this purpose, NMG shall, and shall cause each PIA to, prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by NMG or any PIA of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) GZAR and NMG shall, and shall cause each PIA to, (i) maintain separate accounts for the Project and for its overall operations; (ii) have such accounts and related financial statements (balance sheet, statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by external auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (iii) furnish to ADB, promptly after their preparation but in any event not later than six (6) months after the close of the fiscal year to which they relate, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the covenants of the Loan Agreement as well as on the use of the procedures for imprest account and statement of expenditures), all in the English language. GZAR and NMG shall, and shall cause each PIA to, furnish to ADB such further information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) GZAR and NMG shall enable ADB, upon ADB's request, to discuss the financial statements maintained by GZAR and NMG for the Project and any PIA's financial statements and its financial affairs from time to time with the auditors appointed by such PIA pursuant to Section 2.09(a) here above, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of GZAR, NMG or the concerned PIA unless GZAR, NMG or the concerned PIA shall otherwise agree.

Section 2.10. GZAR and NMG shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, all other plants, sites, works, properties and equipment of the PIAs and any relevant records and documents.

Section 2.11. (a) NMG shall ensure that each PIA, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) NMG shall ensure that each PIA at all times conduct its business in accordance with sound administrative, financial, environmental and wastewater or solid waste management practices, and under the supervision of competent and experienced management and personnel.

(c) NMG shall ensure that each PIA at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, engineering, environmental, and, where applicable or solid waste management and maintenance and operational practices.

Section 2.12. Except as ADB may otherwise agree, NMG shall not, and shall ensure that no PIA shall, sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, GZAR and NMG shall, and shall ensure that each PIA, apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all goods and services financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, NMG shall, and shall cause the concerned PIA to, duly perform all its obligations under the Onlending Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Onlending Agreement.

Section 2.15. NMG shall, and shall cause the concerned PIA to, promptly notify ADB of any proposal to amend, suspend or repeal any provision of the PIA's Charter and shall afford ADB an adequate opportunity to comment on such proposal prior to taking any action thereon.

### ARTICLE III

#### Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement shall come into force and effect. ADB shall promptly notify GZAR and NMG of such date.

Section 3.02. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

### ARTICLE IV

#### Miscellaneous

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

#### For GZAR

Guangxi Finance Department  
No. 69 Taoyuan Road  
Nanning, Guangxi 530021  
People's Republic of China

Facsimile Number:  
(86-771) 5311214

#### For NMG

Nanning Finance Bureau  
Nanning Municipal Government  
No. 129 Dongge Road  
Nanning, Guangxi 530022  
People's Republic of China

Facsimile Number:  
(86-771) 2189000

For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

Cable Address:

ASIANBANK  
MANILA

Telex Numbers:

29066 ADB PH (RCA)  
42205 ADB PM (ITT)  
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444  
(632) 636-2407.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement (i) by or on behalf of GZAR may be taken or executed by its Governor or by such other person or persons as he or she shall so designate in writing notified to ADB; or (ii) by or on behalf of NMG may be taken or executed by its Mayor or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) GZAR and NMG shall furnish to ADB sufficient evidence of the authority of each person who will act under paragraph (a) of this Section, together with the authenticated specimen signature of each such person.

Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

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

ASIAN DEVELOPMENT BANK

By   
HARUHIKO KURODA  
President

GOVERNMENT OF GUANGXI ZHUANG  
AUTONOMOUS REGION

By   
Authorized Representative

NANNING MUNICIPAL GOVERNMENT

  
By \_\_\_\_\_  
Authorized Representative

## SCHEDULE

### Execution of Project

#### Implementation Arrangements

1 The NMG shall be the executing agency (EA) for the Project. The Project Steering Committee (PSC), headed by the Vice Mayor and comprising representatives of the Nanning Financial Bureau, Nanning Development and Reform Commission, Nanning Planning Administration Bureau, Nanning Construction Commission, Nanning Land and Resources Bureau, Nanning Environment Protection Bureau, Nanning Water Resource Bureau, Nanning Municipal Administration Bureau, Nanning Audit Bureau, Qingxiushan Mountain Administration Commission, and Xiangsihu New District Administration Commission, shall be responsible for Project coordination and providing policy guidance during Project implementation.

2 The Subprojects implementation arrangements shall be as follows:

- (i) NIDC shall be the PIA for the Xinxujiang River Environmental Upgrading Subproject;
- (ii) NXICDC shall be the PIA for the Kelijiang River Environmental Upgrading Subproject;
- (iii) NSSWTC shall be the PIA for the Solid Waste Management Subproject; and
- (iv) NQSTC shall be the PIA for the Qingxiushan Park Ecological Upgrading Subproject.

3 The Project Management Office (PMO) established within Nanning Financial Bureau shall serve as the secretariat of the PSC and be responsible for coordinating the implementation of Project activities. The PMO shall (i) ensure adequate interdepartmental cooperation and interagency coordination, (ii) monitor the progress of Project implementation, and (iii) coordinate communication with ADB and concerned agencies. A Project Implementation Unit shall be established in each PIA responsible for coordinating detailed implementation activities.

#### Counterpart Funds

4 GZAR shall cause NMG to provide (a) all local and foreign currency counterpart financing necessary for the Project, including equity contribution and cash advance, in time to enable completion the Project activities; and (b) additional counterpart funding for any shortfall of funds or cost overruns. NMG shall transfer necessary operation and maintenance funds to the PIAs for the Xinxujiang River Environmental Upgrading Subproject and the Kelijiang River Environmental Upgrading Subproject.

#### Flood Monitoring and Control System

5 The NMG shall ensure that (a) the local monitoring at Tianbao reservoir, Xinxujiang River and Kelijiang River be established compatible with the GZAR's regional flood monitoring and control system, which is expected to be upgraded by 2010, for the future integration; (b)

the strengthening and upgrading works to Tianbao reservoir be completed before or at the time of completion of the Project works; (c) Jiangnan and Langdong wastewater treatment plants and all associated arrangements (such as sludge disposal) be constructed, to provide adequate capacity to receive wastewater flows from the respective Project areas of Xiangsihu New District and Qingxiushan Park and that all associated measures for treatment be in place; and (d) trunk sewer development be completed in accordance with the sewerage master plan such that connections are available in time to receive the local discharges from the Project areas.

#### Land Acquisition and Resettlement

6 The NMG shall ensure that (a) all land and rights-of-way required by the Project be made available in a timely manner; (b) the resettlement plans (RPs) be implemented promptly and efficiently in accordance with their terms; (c) the provisions of the RPs be implemented in accordance with all the Borrower's applicable laws and regulations and ADB's *Policy on Involuntary Resettlement*; (d) all compensation and resettlement assistance be paid prior to dispossession and displacement or in compliance with the relevant laws and regulations of the Borrower; (e) all affected persons be ensured at least as to be well off as they would have been in the absence of the Project; (f) specific actions for affected ethnic minorities be implemented as outlined in the RPs and Social Development Action Plan (SDAP) of NMG; (g) all affected persons be given adequate opportunity to participate in resettlement planning and implementation; (h) affected persons be given adequate training and support to manage the new business started up with using land compensation funds; (i) timely provision of counterpart funds be made for land acquisition and resettlement activities; and (j) any obligations in excess of the RP budget estimates be met.

7 The NMG, through the relevant PIAs, shall also ensure that (a) adequate staff and resources be committed to supervising and internal monitoring of the implementation of each RP; (b) quarterly monitoring during resettlement implementation, followed by a resettlement completion report for each concerned Subproject, be prepared and submitted to ADB; (c) an independent agency acceptable to ADB be hired to carry out monitoring and evaluation, including data disaggregated by gender and ethnicity where applicable, and forward reports to ADB semi-annually; (d) a summary of government project completion audits of resettlement disbursements and expenditures be provided to ADB; (e) people are not relocated until housing locations have been identified, and appropriate arrangements for relocation have been established; (f) the RPs for the Xinxujiang River Environmental Upgrading Subproject and the Kelijiang River Environmental Upgrading Subproject be updated based on detailed design and detailed measurement survey, disclosed to affected persons, and sent to ADB for its concurrence prior to commencement of related civil works; (g) ADB be promptly advised of any substantial changes in the resettlement impacts during implementation and, if necessary, a revised RP be submitted to ADB for its approval; (h) civil works contractors' specifications include requirements which comply with the RPs and entitlements of the persons affected permanently and temporarily; and (i) the contractors be supervised to ensure compliance with requirements of the RPs, applicable laws and regulations of the Borrower and ADB's *Policy on Involuntary Resettlement*.

#### Environmental Protection

8 The NMG shall cause each PIA to construct, operate, maintain, and monitor the Project facilities in strict conformity with (a) all applicable laws and regulations, including national and local regulations and standards for environmental protection, health, labor, and

occupational safety; (b) ADB's policy on environmental protection; and (c) the environmental mitigation and monitoring measures detailed in the approved Environmental Impact Assessments (EIAs), Summary Environmental Impact Assessment (SEIA), and the Environmental Management Plan (EMP) for the Project.

9 The NMG shall ensure that (a) the PIAs engage full-time personnel and sufficient resources to monitor the implementation of the environmental monitoring program under the guidance of Nanning Environment Protection Bureau and Nanning Water Resources Bureau; (b) monitoring reports be provided to the PMO which will coordinate the preparation of a semi-annual environmental report on implementation of EMP in a format acceptable to ADB, and the annual reports be submitted to ADB, by 31 March each year, until the Loan Closing Date; and (c) automatic water quality monitoring data be obtained for Nanning Environment Protection Bureau to utilize for water quality improvement of Xinxujiang River and Kelijiang River.

#### Tariffs

10 The NMG shall ensure that (a) solid waste tariff be raised step by step to a level sufficient to recover costs associated with solid waste collection, transfer and disposal; (b) each PIA undertake annual reviews of tariffs and fees, and that they are determined in accordance with Project financing needs and the need to maintain the PIA's financial autonomy, subject to compliance with the Borrower's laws and regulations, and (c) no entity receiving solid waste collection service, whether government agency, institution, or enterprise, regardless of ownership, be exempted from the tariff established for each customer classification, granted a preferential rate, or excused for delays in payments without penalty.

#### Financial Management

11 (a) Except as ADB shall otherwise agree, commencing from the second year of full commercial operation of the Solid Waste Management Subproject or the Qingxiushan Park Ecological Upgrading Subproject, NMG shall ensure that the concerned PIA not incur any debt unless a reasonable forecast of the revenues and expenditures of the concerned PIA shows that the estimated net revenues of the PIA for each fiscal year during the term of the debt to be incurred shall be at least 1.2 times the estimated debt service requirements of the PIA in such year on all debt of the PIA including the debt to be incurred and no event has occurred since the date of the forecast which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition of future operating results of the PIA.

(b) For the purposes of this paragraph:

- (i) The term "debt" means any indebtedness of the PIA maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (a) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (b) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

- (iii) The term "net revenues" means the difference between:
  - (A) the sum of revenues from all sources related to operations and net non-operating income, after making adequate provisions for uncollectible debts; and
  - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt. Lease payments under finance leases must also be included.
- (iv) The term "net non-operating income" means the difference between:
  - (A) revenues from all sources other than those related to operations, and
  - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (iv)(A) above.
- (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (vi) The term "reasonable forecast" means a forecast prepared by the PIA not earlier than nine months prior to the incurrence of the debt in question, which both ADB and the PIA accept as reasonable and as to which ADB has notified the PIA of its acceptability.
- (vii) The terms "operations" or "operating" refer to the operations of the PIA.
- (viii) Whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is at the time of such valuation obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to ADB.

12 (a) Except as ADB shall otherwise agree, for the Solid Waste Management Subproject or the Qingxiushan Park Ecological Upgrading Subproject, NMG shall ensure that the concerned PIA not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 70 to 30.

(b) For purposes of this paragraph:

- (i) The term "debt" means any indebtedness of the PIA maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (a) under a loan contract or agreement, or conditional sale or transfer or financing lease agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (b) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the PIA not allocated to cover specific liabilities.
- (iv) Whenever for purposes of this paragraph it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such currency is, at the time of valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to ADB.

13 (a) Except as ADB shall otherwise agree, commencing from the second year of full commercial operation of the Solid Waste Management Subproject or the Qingxiushan Park Ecological Upgrading Subproject, NMG shall ensure that the concerned PIA maintain a ratio of current assets to current liabilities of not less than 1.2 to 1.

(b) For the purposes of this paragraph:

- (i) The term "current assets" means cash, all assets, which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next fiscal year.
- (ii) The term "current liabilities" means all liabilities, which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
- (iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (iv) Whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is,

at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate on the basis of a rate of exchange acceptable to ADB.

14 The NMG shall ensure that each PIA establish and maintain a sound and solid financial management system in accordance with the ADB's *Guidelines for Governance and Financial Management*. The financial management system shall comprise (a) management accounting; (b) corporate planning, budgeting, and budgetary control; (c) financial accounting; (d) cost accounting; (e) internal control system; and (f) data processing. The NMG shall ensure that the PIAs' financial management system provide for smooth cash flow and the timely settlement of project construction liabilities and future debt servicing.

#### Solid Waste Services for the Poor

15. The NMG shall ensure that (a) the poor not be affected by increased solid waste tariff through the implementation of the NMG Regulation No. 6 [2005] *Ensuring Minimum Living Standard for Urban Residents* which aims to protect the basic living standard of the poor through the provision of free of charge solid waste service for the recipients covered by the above mentioned Regulation, (b) the SDAP be carried out promptly and efficiently; (c) implementation of SDAP is monitored and reported annually to ADB; and (d) funds needed for implementation of SDAP are allocated and disbursed in a timely manner.

#### Employee and Labor

16. The NMG shall ensure, and shall cause that each PIA ensure that all the employment and labor standards as provided in the applicable laws and regulations of the Borrower be complied with, and in particular, that all civil works contractors engaged under the Project (a) provide timely payment of wages and safe working conditions to all workers including male and female workers (with such requirements being included in civil works contracts and monitored by construction supervision consultants); (b) provide women's employment, where appropriate, and pay equal wages to the women employees for the equivalent work; (c) not employ child labor in Project activities, in compliance with the relevant laws and regulations of the Borrower; and (d) monitor the effects of the Project on women through collection and compilation of gender-disaggregated data, where applicable, including in the PRs, SDAP and project performance monitoring system.

#### Health

17. The NMG shall ensure, and shall cause that each PIA to ensure, (a) the contractors disseminate information on the risks of socially and sexually transmitted diseases, including HIV/AIDS, to their employees during Project implementation; and (b) in coordination with other appropriate agencies identified by the NMG, public awareness and education programs on health and hygiene behavior and managing wastewater and solid waste disposal be conducted in the Project areas.

#### Midterm Review

18. ADB, GZAR and NMG shall undertake a comprehensive midterm review two years after the commencement of Project implementation, which includes a detailed evaluation of (a) scope of the Project, (b) implementation arrangements, (c) resettlement, (d) achievements of the scheduled targets, (e) progress of the agenda for policy reform and capacity building

measures, and (f) reallocation of the Loan proceeds and change to the disbursement percentages.

#### Change in Ownership

19. In the event that (a) any change in ownership of the Project facilities, or (b) any sale, transfer or assignment of the shares of any PIA is anticipated, GZAR and NMG shall, and shall cause the concerned PIA to, consult with ADB at least six months prior to the implementation of such change. GZAR and NMG shall, and shall cause the concerned PIA to, ensure that such change be carried out in a lawful and transparent manner.

#### Anticorruption

20. GZAR and NMG shall, and shall cause the PIAs to, comply with ADB's Anticorruption Policy. GZAR and NMG agree (a) that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project and (b) to cooperate fully with and to cause each PIA to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, GZAR and NMG shall (a) conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements and (b) ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the PMO, each PIA and all contractors, suppliers, consultants and other service providers as they relate to the Project.