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LOAN NUMBER 2493-UZB(SF)

LOAN AGREEMENT  
(Special Operations)

(Water Resources Management Sector Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 24 August 2009

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LAS:UZB 40086

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 24 August 2009 between REPUBLIC OF UZBEKISTAN (the "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 an agreement of even date herewith between the Borrower and ADB (the "Ordinary Operations Loan Agreement"), ADB has agreed to lend to the Borrower, from its ordinary capital resources, a loan in an amount of eighty five million Dollars (\$85,000,000); and

(C) ADB has agreed to make the loan to the Borrower from ADB's Special Funds resources (the "Loan") upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "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. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "BISA" means the Basin Irrigation System Authority of the Borrower or any legal successors thereto;

(b) "COM" means the Cabinet of Ministers of the Borrower;

(c) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2007, as amended from time to time);

(d) "EARP" means the Environmental Assessment and Review Procedures prepared for the Project;

(e) “EMP” means the Environmental Management Plan prepared for the Project;

(f) “Gender Action Plan” means“ the Gender Action Plan as set out in Appendix 13 of the RRP;

(g) “Goods” means equipment and materials to be financed out of the proceeds of the Loan and the loan under the Ordinary Operations Loan Agreement, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(h) “IEE” means the Initial Environmental Examination prepared for the Project;

(i) “LARF” means the Land Acquisition and Resettlement Framework prepared for the Project;

(j) “MAWR” means the Ministry of Agriculture and Water Resources of the Borrower or any legal successor thereto;

(k) “Ministry of Economy” means the Ministry of Economy of the Borrower or any legal successor thereto;

(l) “Ministry of Finance” means the Ministry of Finance of the Borrower or any legal successor thereto;

(m) “Ministry of Foreign Economic Relations, Investment and Trade” means the Ministry of Foreign Economic Relations, Investment and Trade of the Borrower or any legal successor thereto;

(n) “Ordinary Operations Loan Regulations” means ADB’s Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB’s Ordinary Capital Resources, dated 1 July 2001;

(o) “PIU” means any of the Project Implementation Units, as further described in paragraph 5 of Schedule 5 to this Loan Agreement;

(p) “PMO” means the Project Management Office, as further described in paragraphs 3 and 4 of Schedule 5 to this Loan Agreement;

(q) “Procurement Guidelines” means ADB’s Procurement Guidelines (2007, as amended from time to time);

(r) “Procurement Plan” means the procurement plan for the Project, dated 12 November 2008, 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;

(s) "Project area" means the areas within the territory of the Borrower that cover Fergana Valley (Syrdarya-Sokh BISA, Naryn-Syrdarya BISA, and Naryn-Karadarya BISA), and Zarafshan River Basin (Zarafshan BISA);

(t) "Project Executing Agency" means for the purposes of, and within the meaning of, the Loan Regulations and Ordinary Operations Loan Regulations, MAWR, which is responsible for the carrying out of the Project;

(u) "Project facilities" means the facilities to be rehabilitated, upgraded, and constructed under the Project;

(v) "PSC" means the Project Steering Committee, as further described in paragraph 2 of Schedule 5 to this Loan Agreement;

(w) "RRP" means the Report and Recommendation of the President of ADB to the Board of Directors of ADB for the Loan and the loan under the Ordinary Operations Loan Agreement;

(x) "SCNP" means the State Committee for Nature Protection of the Borrower or any legal successor thereto;

(y) "subproject" means the subproject to be financed under the Project, which meets the selection criteria stipulated in paragraphs 7 and 8 of Schedule 5 to this Loan Agreement;

(z) "Works" means construction or civil works to be financed out of the proceeds of the Loan and the loan under the Ordinary Operations Loan Agreement, 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

(aa) "WUA" means the water users association established within the territory of the Borrower.

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to ten million forty two thousand Special Drawing Rights (SDR 10,042,000)

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

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment

date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 May and 1 November 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 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 Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The Goods, Works, and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works, and consulting services and other items of expenditure shall be 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, all Goods, Works, and consulting services to be financed out of the proceeds of the Loan shall be procured 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 2015 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 (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than six (6) months after the end of each related fiscal year, 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 financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to Section 4.02(a) hereabove, 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 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 financed out of the proceeds of the Loan, 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 Borrower shall have failed to perform its obligations under the Ordinary Operations Loan Agreement.

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 shall have occurred and continued for a period of 60 days.

## **ARTICLE VI**

### **Effectiveness**

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

Section 6.02. A date thirty (30) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Minister of 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 Finance  
5, Mustakillik Maidoni  
Tashkent 100008  
Republic of Uzbekistan

Facsimile Numbers:

(998-71) 244-5643  
(998-71) 239-1259.

#### For ADB

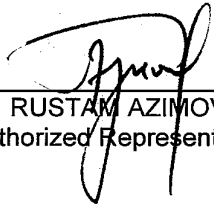
Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636-2301.

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 and to be delivered at the principal office of ADB, as of the day and year first above written.

REPUBLIC OF UZBEKISTAN

By  \_\_\_\_\_  
RUSTAM AZIMOV  
Authorized Representative

ASIAN DEVELOPMENT BANK

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



## SCHEDULE 1

### Description of the Project

1. The Project impact will be sustained and increased agriculture production and productivity in the Project area. The Project's outcome will be irrigation systems that are fully functional and efficiently operated.

2. The scope of the Project comprises:

#### Part A: Irrigation and Drainage Infrastructure Rehabilitation and Upgrading

Under this Part, the Project shall provide rehabilitation and upgrading of irrigation and drainage infrastructure. The rehabilitation and upgrading shall include, among others, improvements to pumping facilities, gravity head-works, inter-farm distribution canals and structures, and on-farm and inter-farm drainage.

#### Part B: Water Resources Management Improvement

Under this Part, the Project shall:

- (a) prepare a plan to improve water use efficiency for inter-farm irrigation and drainage in the Fergana Valley (Syrdarya-Sokh BISA, Naryn-Syrdarya BISA, and Naryn-Karadarya BISA) and a capacity development program to support the implementation of the plan;
- (b) strengthen WUAs for improved on-farm water management; and
- (c) develop the water management, and operation and maintenance plans for the subprojects.

#### Part C: Project Management

Under this Part, the Project shall provide implementation support to the PMO and the PIUs.

3. The Project is expected to be completed by 31 December 2014.

## SCHEDULE 2

### Amortization Schedule (Water Resources Management Sector Project)

<u>Date Payment Due</u>			<u>Payment of Principal</u> (expressed in Special Drawing Rights)
01	May	2017	209,208.00
01	November	2017	209,208.00
01	May	2018	209,208.00
01	November	2018	209,208.00
01	May	2019	209,208.00
01	November	2019	209,208.00
01	May	2020	209,208.00
01	November	2020	209,208.00
01	May	2021	209,208.00
01	November	2021	209,208.00
01	May	2022	209,208.00
01	November	2022	209,208.00
01	May	2023	209,208.00
01	November	2023	209,208.00
01	May	2024	209,208.00
01	November	2024	209,208.00
01	May	2025	209,208.00
01	November	2025	209,208.00
01	May	2026	209,208.00
01	November	2026	209,208.00
01	May	2027	209,208.00
01	November	2027	209,208.00
01	May	2028	209,208.00
01	November	2028	209,208.00
01	May	2029	209,208.00
01	November	2029	209,208.00
01	May	2030	209,208.00
01	November	2030	209,208.00
01	May	2031	209,208.00
01	November	2031	209,208.00
01	May	2032	209,208.00
01	November	2032	209,208.00
01	May	2033	209,208.00
01	November	2033	209,208.00
01	May	2034	209,208.00
01	November	2034	209,208.00
01	May	2035	209,208.00
01	November	2035	209,208.00
01	May	2036	209,208.00
01	November	2036	209,208.00
01	May	2037	209,208.00
01	November	2037	209,208.00
01	May	2038	209,208.00
01	November	2038	209,208.00
01	May	2039	209,208.00
01	November	2039	209,208.00
01	May	2040	209,208.00

Schedule 2

<u>Date Payment Due</u>			<u>Payment of Principal</u> (expressed in Special Drawing Rights)
01	November	2040	209,224.00
<b>TOTAL</b>			<b><u>10,042,000.00</u></b>

\* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the relevant provisions of the Special Operations Loan Regulations.

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

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

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Reallocation

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

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

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest account shall be Dollars. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six (6) months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the statement of expenditures procedure shall not exceed the equivalent of one hundred thousand Dollars (\$100,000).

Conditions of Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until:

(a) the Borrower shall have established the PMO and PIUs to the satisfaction of ADB; and

(b) the Borrower shall have appointed the Project manager, acceptable to ADB.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Water Resources Management Sector Project)</b>			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Amount Allocated SDR Category</b>	<b>Percentage and Basis for Withdrawal from the Loan Account</b>
1	Civil Works <sup>1</sup>	2,477,000	100 percent of total expenditure*
2	Materials and Equipment <sup>2</sup>	201,000	100 percent of total expenditure*
3	Training, Capacity Development and Studies	1,473,000	100 percent of total expenditure*
4	Consulting Services	3,079,000	100 percent of total expenditure*
5	Project Management and Monitoring	536,000	100 percent of total expenditure*
6	Unallocated	2,276,000	
	<b>Total</b>	<b>10,042,000</b>	

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

<sup>1</sup> Drainage works, hydroposts, and safeguards planning and monitoring.

<sup>2</sup> Office Equipment and vehicles.

## SCHEDULE 4

### Procurement of Goods and Works, and Consulting Services

#### A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### B. Procurement of Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. Domestic Preference. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.
5. National Competitive Bidding. 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 written approval of such change by the Borrower and ADB.

#### C. Condition for Award of Contract

6. The Borrower shall not award any Works contracts for a subproject that involves land acquisition or involuntary resettlement until the Borrower shall have submitted the resettlement plan for that subproject to ADB for review and approval.

**D. Selection of Consulting Services**

7. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

8. The Borrower shall apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Single Source Selection for training of the WUAs.
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9. The Borrower shall recruit individual consultants for Project implementation services in accordance with procedures acceptable to ADB for recruiting individual consultants.

**E. Industrial or Intellectual Property Rights**

10. (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.

11. 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.

**F. ADB's Review of Procurement Decisions**

12. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

## SCHEDULE 5

### Execution of Project and Operation of Project Facilities; Financial Matters

#### Project Implementation

1. The Borrower has appointed MAWR as the Project Executing Agency, which shall assume overall responsibility of the Project implementation. The Borrower shall appoint one of the MAWR staff members to act as the Project director and oversee the Project implementation.

#### Project Steering Committee

2. Within six (6) months of the Effective Date, the Borrower shall establish the PSC, which shall (a) guide policy and strategic directions; (b) review and evaluate performance; (c) review audited accounts; (d) facilitate interagency coordination; and (e) resolve issues affecting implementation. The PSC shall meet at least on a semi-annual basis. The PSC shall be chaired by a Deputy Prime Minister, with members consisting of representatives from (a) the COM; (b) MAWR; (c) Ministry of Finance; (d) Ministry of Economy; (e) Ministry of Foreign Economic Relations, Investment and Trade; and (f) the SCNP.

#### Project Management Office

3. The Borrower shall establish the PMO, which shall manage Project implementation on a day to day basis. The PMO shall be responsible for: (a) financial management; (b) procurement and recruitment of consultants; (c) preparing periodic reports; (d) screening, preparation, and implementation of subprojects; (e) ensuring compliance with ADB's and local safeguards requirements; (f) monitoring and evaluation; and (g) coordinating with relevant agencies.

4. The Borrower through MAWR shall appoint a Project manager acceptable to ADB to head the PMO. The Project manager shall report to the Project director. The Project manager shall be supported with teams of specialists for (a) technical; (b) contract & procurement; (c) accounting; (d) monitoring & evaluation; (e) water resource management; and (f) safeguards. They will be assisted by several administrative staff. The PMO shall also be supported by international and national consultants recruited under the Project.

#### Project Implementation Units

5. The Borrower shall establish a PIU in (a) Zarafshan BISA in Samarkand city; and (b) Syrdarya-Sokh BISA in Fergana city, to support PMO activities in the field and coordinate local activities for the implementation of the subprojects. Each PIU shall be headed by a deputy Project manager supported by accounting and administrative staff. The deputy Project manager shall report to the Project manager. In each PIU, there shall be a subproject coordinator to facilitate the implementation of the relevant subproject, who shall report to the deputy Project manager. Each PIU shall also be supported by international and national consultants recruited under the Project.

Subproject Selection and Approval

6. The Borrower shall ensure that (a) the PMO shall (i) screen and undertake necessary reconnaissance level studies of the candidate subprojects, and (ii) submit its recommendations for approval by the Project director and ADB on the candidate subprojects to be selected for full feasibility study; and (b) ADB and the Borrower shall make the final approval of the subprojects based on the result of the feasibility study and their compliance to the selection criteria set out in paragraphs 7 and 8 of this Schedule.

Subproject Selection Criteria

7. The Borrower shall ensure that all subprojects meet the following criteria:
- (a) the subproject must exhibit a current irrigation command area significantly less than that envisaged at design stage or a continuous decline in the size of the irrigated area within the command area;
  - (b) the subproject with sanctioned supplemental inflows to the irrigation distribution system from the drains must be projected to exhibit a neutral or better salt balance following its rehabilitation and upgrading;
  - (c) the subproject must exhibit scope for improved overall irrigation efficiency and increased agricultural productivity;
  - (d) the subproject must have land quality classification or "bonitate" value for its entire command area to average above fifty (50) and none of the sub-areas within the command area will be less than forty (40);
  - (e) the subproject must have a command area which exhibit characteristics conducive to diversification to higher value crops;
  - (f) the subproject must not have a significant negative impact on or cause irreconcilable conflict with established land or water users;
  - (g) the subproject must not have any negative environmental impact for which affordable mitigation treatment cannot be incorporated into the subproject design;
  - (h) the subproject must not result in a Category A environmental or resettlement category;
  - (i) the subproject must have an economic internal rate of return twelve (12) percent or more; and
  - (j) the subproject must have projected incremental increase in farm income exceeding the projected incremental increase in annual production cost such as, but not limited to, agricultural inputs, irrigation operation and maintenance.

8. The Borrower shall ensure that the subprojects for pump irrigation schemes meet the following additional criteria:

- (a) the subproject must have adequate water available at the pumping plant to meet the subproject's irrigation water requirements (with the exception of acceptable crop-water deficits) for at least four (4) out of five (5) years;
- (b) the subproject that requires rehabilitation and upgrading of the pumping plants must have a total installed capacity of fifteen cubic meter (15m<sup>3</sup>) per second or less;
- (c) the subproject must have its pumping plant discharges (per pumping unit or in total) less than eighty (80) percent of the design capacity;
- (d) the subproject receiving supplemental freshwater inflow from gravity canals shall be given preference, provided that the monthly volumes of water transferred and an assessment of the reliability of the supply are available; and
- (e) the subproject must have (static plus dynamic) pumping heads of less than seventy five (75) meters.

#### Counterpart Funds

9. The Borrower shall ensure that throughout the implementation of the Project, adequate budgetary allocation of the required counterpart funds are approved and released in a timely manner to ensure proper implementation of the Project.

#### Operation and Maintenance

10. The Borrower through MAWR shall ensure that timely and adequate funds shall be made available for the operation and maintenance of all subprojects selected for rehabilitation and upgrading based on the operation and maintenance plan to be developed under the Project.

11. The Borrower shall ensure that MAWR shall operate and maintain the subprojects selected for rehabilitation and upgrading based on the operation and maintenance plan to be developed under the Project.

#### Labor

12. The Borrower through MAWR shall ensure that the contractors employed under the Project shall (a) fully comply with applicable labor laws; (b) provide prompt and equal pay to men and women for work of equivalent value; and (c) provide adequate safety and health protection for both male and female workers. The Borrower shall further ensure that no minors, as defined under the laws of the Borrower, shall be employed in Project related activities.

Environment

13. The Borrower shall ensure that all Project-related activities shall be carried out in accordance with (a) the applicable environmental laws and regulations of the Borrower; (b) ADB's *Environment Policy* (2002); and (c) the IEEs. For each subproject, the Borrower shall ensure that the IEE, which shall include the EMP, shall be prepared in accordance with the EARP. The Borrower shall further ensure that adequate budgetary provisions have been made for (a) conducting IEEs; (b) implementation of mitigation measures; (c) environmental monitoring in the EMPs; and (d) the institutional arrangements for coordination and supervision as identified in the IEEs and the EARP.

14. The Borrower shall ensure that prior to the issuance of the bidding documents for a particular subproject, ADB shall have (a) reviewed and cleared the initial environmental examinations of the subproject, including the environmental management plan or their revised versions; and (b) received the Borrower's clearances, approvals or permits for such documents.

Involuntary Resettlement

15. The Borrower shall ensure that all land acquisition and resettlement activities under the subprojects shall be prepared and implemented in accordance with (a) the LARF agreed between the Borrower and ADB; (b) the relevant laws, regulations, and procedures of the Borrower; and (c) ADB's *Involuntary Resettlement Policy* (1995). The Borrower shall make its best effort to ensure that the Works under the Project shall (a) be undertaken on its rights-of-way so that no persons shall be affected by involuntary resettlement; and (b) not disrupt any agricultural activities. In the event that any Works activities shall be conducted beyond the Borrower's rights-of-way, which results in land acquisition and/or involuntary resettlement, the Borrower shall promptly prepare a resettlement plan based on the detailed designs and in accordance with (a) ADB's *Involuntary Resettlement Policy*; and (b) the agreed LARF. Prior to the issuance of the notice to proceed for any Works that involve land acquisition or involuntary resettlement, the Borrower shall have adequately compensated the affected people in accordance with the resettlement plan.

Availability of Documents

16. The Borrower through MAWR shall make all reports, drawings, maps, and historical data on soil, water and land use characteristics and other information relevant to Project implementation available to the PMO and the relevant PIU in a timely manner.

Gender Action Plan

17. The Borrower shall ensure that the Gender Action Plan is implemented in a timely manner over the entire Project implementation period, and that adequate resources are allocated for this purpose. The implementation of the Gender Action Plan shall be closely monitored, and its progress shall be reported in the quarterly reports to ADB.

Anti Corruption

18. The Borrower shall comply with ADB's *Anticorruption Policy* (1998, as amended to date). The Borrower shall 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 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, the Borrower 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 MAWR, all contractors, suppliers, consultants and other service providers as they relate to the Project.

19. The Borrower shall also ensure the disclosure of all Project-related procurement actions, including consulting services contracts and the procurement of major equipment and Works, in local newspapers and on the internet. Such disclosed information shall include, among other things, (a) the list of participating bidders; (b) the winning bidder; (c) a summary of the tender procedures; (d) the value of the contract awarded; and (e) the general terms and specifications of the Goods, Works, or consulting services procured under the Project.

Project Reports

20. The Borrower, through the PMO, shall submit quarterly and annual reports to ADB. The reports shall indicate the progress made, the problems encountered, the steps taken to remedy the problems, and a program of activities along with expected progress during the remainder of the implementation period. The reports shall also incorporate Project performance monitoring data and all relevant financial data. The reporting system shall focus on outcomes, efficiency, and quality and will be consistent with international and local reporting standards, as well as with the design and monitoring framework. The Borrower shall also provide other reports and information relating to the Project as ADB may reasonably request. Within six (6) months of Project completion, the Borrower through the PMO shall submit a Project completion report to ADB that includes information on (a) Project implementation; (b) the use of Loan proceeds; and (c) the accomplishments in relation to the Project's outcome and impact.

Project Performance Monitoring System

21. Within six (6) months of the Effective Date, the Borrower through the PMO shall establish the Project performance monitoring system to monitor the Project's progress in achieving the planned outputs, outcome, and impact. The Borrower shall also ensure that the monitoring and evaluation team within the PMO shall measure results of the Project progress and report its findings to the Borrower and ADB. Within six (6) months of the Effective Date, a matrix of indicators shall be established and the baseline data for the agreed indicators shall be gathered and updated every six (6) months. The data shall be reported to stakeholders and the public. During the Project review missions, the indicators shall be validated and may be modified to ensure more accurate reflection of the Project performance and results.

Project Review

22. The Borrower through MAWR and ADB shall initially conduct periodic Project review on a semi-annual basis to assess (a) physical, institutional and capacity development progress; (b) financial progress; (c) implementation arrangements; and (d) identify and resolve problems that arise. From the second year of Project implementation, if deemed appropriate by ADB, the periodic Project review may be conducted on an annual basis. The Borrower through MAWR and ADB shall also conduct a mid-term Project review during the latter half of year three of Project implementation to evaluate: (a) Project scope, design and implementation arrangements; (b) progress against agreed indicators including the design and monitoring framework; (c) procurement performance; (d) performance of the consultants; and (e) any other parameter agreed by MAWR and ADB. At the conclusion of the mid-term review, ADB and the Borrower may agree on changes in both Project scope and implementation arrangements, as deemed necessary.