
LOAN NUMBER ____ - ____ (SF)

LOAN AGREEMENT
(Special Operations)
(Rural Roads Improvement Project)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED _____

LAS: CAM 42334

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated _____ 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) the Borrower has also applied to the Government of Korea through Korea Export-Import Bank (as defined in Section 1.02(k) of this Loan Agreement) for a loan in an amount equivalent to nineteen million three hundred fifty thousand dollars (\$19,350,000) for the purposes of financing the civil works and related consulting services of the Project;

(C) the Borrower has also applied to the Nordic Development Fund for a grant in an amount equivalent to five million four hundred thousand dollars (\$5,400,000) for the purposes of financing the climate change adaptation component of the Project; and

(D) ADB has agreed to make a loan to the Borrower from ADB's Special Funds 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 the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("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) "Component(s)" means a component of the Project as described in Schedule 1 to this Loan Agreement;

(b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(c) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in Components I, II, III and V in paragraph 3 of Schedule 1

to this Loan Agreement, but excluding any services provided in relation to Goods and Works;

(d) "EMP" means the Environmental Management Plan included in IEE, prepared for detailing the mitigation measures and monitoring activities to avoid or mitigate negative environmental impacts arising from the Project;

(e) "Good Governance Framework" means the Good Governance Framework for the Project that has been agreed between the Borrower and ADB;

(f) "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;

(g) "HIV/AIDS" means human immunodeficiency virus/acquired immunodeficiency syndrome;

(h) "IEE" means Initial Environmental Examination prepared by MRD for the Project, which was finalized in July 2010 and has been submitted to ADB;

(i) "IMC" means the Inter-Ministerial Committee, which is described in paragraph 2 of Schedule 5 to this Loan Agreement;

(j) "Implementing Agency" or "IA" means PDRD in the concerned Project Province with responsibilities as set out in accordance with paragraph 4 of Schedule 5 to this Loan Agreement;

(k) "KEXIM" means Korea Export-Import Bank;

(l) "KEXIM Loan Agreement" means KEXIM Loan Agreement to be entered into between the Borrower and KEXIM for a loan provided by KEXIM to finance the civil works and related consulting services of the Project;

(m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2007, as amended from time to time);

(n) "MEF" means Ministry of Economy and Finance of the Borrower;

(o) "MRD" means Borrower's Ministry of Rural Development and any successor thereto;

(p) "PAM" means the project administration manual for the Project dated 29 July 2010 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;

(q) "PDRD" means Provincial Department of Rural Development in the Provincial Government of the Borrower;

(r) "PMU" means Project Management Unit, as described in detail in paragraph 4 of Schedule 5 to this Loan Agreement;

(s) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);

(t) "Procurement Plan" means the procurement plan for the Project dated 29 July 2010 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;

(u) "Project Executing Agency" or "EA" for the purposes, and within the meaning, of the Loan Regulations means MRD, and any successor thereto acceptable to ADB, which is responsible for the overall supervision and execution of the Project;

(v) "Project facilities" means the facilities and equipment provided under the Project;

(w) "Project Provinces" means those provinces of the Borrower in which the Project construction and other related activities will be carried out, which include the following seven provinces: Kampong Cham, Kampong Thom, Kampong Chhnang, Pursat, Battambang, Kampong Speu, and Siem Reap Provinces;

(x) "RARM" means Risk Assessment and Risk Management Plan, which was prepared during the Project processing and included in the Report and Recommendation of the President of ADB for the Project;

(y) "SGIAs" means second generation imprest accounts, the operation of which is described in paragraph 6(b) of Schedule 3 to this Loan Agreement;

(z) "UXO" means unexploded ordnance which are, as explosive weapons, those that did not explode when exploded after they were employed and are still pose a risk of detonation; and

(aa) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to twenty-three million one hundred thirty-four thousand Special Drawing Rights (SDR23,134,000).

Section 2.02. (a) 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.

(b) The term "grace period" as used in paragraph (a) of this Section 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 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 March and 15 September 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 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 items of expenditure in accordance with the applicable provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from 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 2016 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 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 and 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, 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 KEXIM Loan Agreement shall have been suspended and/or cancelled due to default by the Borrower in obligations under the KEXIM 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 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 Borrower shall have certified to ADB that compensation and assistance have been provided to the households who are affected by the widening of a segment of Road 1KS3.

Section 6.02. 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
The Royal Government of Cambodia
Phnom Penh, Cambodia

Facsimile Number:

(855 23) 428-424
(855 23) 430-224

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2015.

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 _____
[Name and designation]

ASIAN DEVELOPMENT BANK

By _____
[Name and designation]

SCHEDULE 1

Description of the Project

Impact and Outcome

1 The impact of the Project is improved access to markets, jobs, and social services in the seven Project Provinces mainly surrounding Tonle Sap Basin, i.e., Kampong Cham, Kampong Thom, Kampong Chhnang, Pursat, Battambang, Kampong Speu, and Siem Reap.

2 The expected outcome of the Project is safe, cost effective, all-year road access provided in remote agricultural areas of the afore mentioned Project Provinces, which encompass a large proportion of Cambodia's rural poor.

Components

3 The Project comprises the following components:

Component I. Road Rehabilitation

Improvement of about 505.4 kilometers of rural roads into a paved condition by double bituminous surface treatment.

Component II. Road Asset Management

- (i) Training programs for MRD and PDRDs to resolve human resource capacity in technical and project management issues concerning road asset planning and management.
- (ii) Assistance to MRD to prepare road asset management budgets and identify potential revenue sources to ensure sustainable financing;
- (iii) Support to implement an overloading prevention program for rural roads; and
- (iv) Implement the contracting industry support program to help establish professional engineering and contracting institutes to increase the capacity of local private sector contractors.

Component III. Increase of Road Safety and Safeguards Awareness

- (i) Support to implement a community-based road safety awareness program including education program for schools, drivers, road users, and the community, in line with the national program that also incorporates road safety provisions in project design;
- (ii) Establishment of a new social and environment office in MRD;
- (iii) Support to prevent HIV/AIDS and human trafficking; and

- (iv) Support to carry out a sex disaggregated baseline socioeconomic survey of beneficiaries and its analysis.

Component IV. Reduction of Vulnerability to Climate Change

- (i) Development of vulnerability mapping for rural roads, due to climate change, to improve planning for climate changes;
- (ii) Introduction of ecosystem-based adaptation strategies focusing on environmental/green planning for project roads to improve flood and drought management;
- (iii) Piloting testing of the use of climate monitoring systems to improve road maintenance and management program, since certain maintenance works can only take place during the dry season but as seasons are shifting it becomes more difficult to plan;
- (iv) Development of pilot program for early warning system and a pilot program for emergency management planning for rural roads; and
- (v) Planning of water capture and storage systems to manage the increase intensity of floods and drought periods, in concert with the above mentioned ecosystem measures, for the Project provinces.

Component V. Project Management

Provision of Project management support to the EA through provision of equipment such as supervision vehicles and office furniture.

- 4. The Project, which includes the provision of Consulting Services, is expected to be completed by 31 December 2015.

SCHEDULE 2**Amortization Schedule****(Rural Roads Improvement Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (Expressed in Special Drawing Rights)
15-Mar-2019	481,958
15-Sep-2019	481,958
15-Mar-2020	481,958
15-Sep-2020	481,958
15-Mar-2021	481,958
15-Sep-2021	481,958
15-Mar-2022	481,958
15-Sep-2022	481,958
15-Mar-2023	481,958
15-Sep-2023	481,958
15-Mar-2024	481,958
15-Sep-2024	481,958
15-Mar-2025	481,958
15-Sep-2025	481,958
15-Mar-2026	481,958
15-Sep-2026	481,958
15-Mar-2027	481,958
15-Sep-2027	481,958
15-Mar-2028	481,958
15-Sep-2028	481,958
15-Mar-2029	481,958
15-Sep-2029	481,958
15-Mar-2030	481,958
15-Sep-2030	481,958
15-Mar-2031	481,958
15-Sep-2031	481,958
15-Mar-2032	481,958
15-Sep-2032	481,958
15-Mar-2033	481,958
15-Sep-2033	481,958
15-Mar-2034	481,958
15-Sep-2034	481,958
15-Mar-2035	481,958
15-Sep-2035	481,958
15-Mar-2036	481,958
15-Sep-2036	481,958
15-Mar-2037	481,958
15-Sep-2037	481,958
15-Mar-2038	481,958
15-Sep-2038	481,958

Schedule 2

15-Mar-2039	481,958
15-Sep-2039	481,958
15-Mar-2040	481,958
15-Sep-2040	481,958
15-Mar-2041	481,958
15-Sep-2041	481,958
15-Mar-2042	481,958
15-Sep-2042	481,974
Total	23,134,000

* 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 amounts of the Loan to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

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

Interest Charge

3. The amount allocated to Category 5 is for financing the interest charge on the Loan during the implementation period of the Project.

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.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall cause MRD to establish immediately after the Effective Date, an imprest account at the National Bank of Cambodia. 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 Dollar. The initial and the ceiling amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be paid out of the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan.

(b) The maximum ceiling of the imprest accounts (aggregate of the first generation imprest account and 7 SGIAs) shall not at any time exceed the estimated ADB financed expenditures to be paid from the imprest account for the next 6 months or 10% of the loan amount, whichever shall be lower. The maximum ceiling of each SGIA shall be equivalent to 6 months estimated expenditures to be funded from each SGIA or 1% of the loan amount whichever is lower. The request for initial advance to the imprest account shall be accompanied by an Estimate of Expenditure Sheet setting out the estimated expenditures for the first six months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the Borrower shall furnish to ADB (i) Statement of Account (Bank Statement) where the imprest account is maintained, and (ii) the Imprest Account Reconciliation Statement reconciling the above mentioned bank statement against the EA's records.

(c) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, 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 SOE procedure shall not exceed the equivalent of \$50,000.

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent of \$200,000.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Rural Roads Improvement Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated SDR		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	13,285,000		
1A	Civil works Package B Improve 5 roads 142 km		6,153,000	88 percent of total expenditure
1B	Civil works Package C Improve 8 roads 153 km		7,132,000	88 percent of total expenditure
2	Equipment	40,000		
2A	EQ2: Project management vehicles etc.		40,000	100 percent of total expenditure*
3	Consulting Services	3,814,000		
3A	Detail design and Implementation supervision		2,115,000	100 percent of total expenditure*
3B	Road asset management program		1,144,000	100 percent of total expenditure*
3C	Road safety and safeguards program		555,000	100 percent of total expenditure*
4	Incremental administrative costs other than EQ2 above	370,000		76 percent of total expenditure
5	Interest Charge	608,000		100 percent of amount due
6	Unallocated	5,017,000		
	Total	23,134,000		

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

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. 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.

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

4. 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.

Domestic Preference

5. 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 Work.

National Competitive Bidding

6. 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.

Advance Action

7. Advance action will be undertaken for Detailed Design and Implementation Supervision (DDIS) Consulting Services. Advance contracting will also be undertaken for the procurement of project vehicles and office equipment for the PMU.

Selection of Consulting Services

8. 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 in connection with detail design and implementation supervision, and for selecting and engaging other consultants.

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.

ADB's Review of Procurement Decisions

11. 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

Implementation Arrangements

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

Project Steering Committee

2. The Borrower shall set up an IMC as the Project steering committee, responsible for provision of guidance and overall coordination on all matters pertaining to maintenance, planning, implementation and disbursement for the national roads Project Implementation.

Project Executing Agency

3. MRD shall be the Project Executing Agency and shall be responsible for the overall technical supervision and execution of the Project.

Project Management Unit

4. A PMU shall be established in MRD for Project Implementation, management, and coordination. The PMU shall initiate and coordinate effective communication between all stakeholders of the Project, including the EA, MEF, and other agencies of the Borrower, beneficiary stakeholders, and donor agencies. PMU shall be headed by a Project Coordinator, and technically headed by a Project Director and a project manager who are technically well qualified with long experience in managing ADB-assisted projects. The Project Coordinator, at Secretary of State level, shall coordinate all Project activities within and outside MRD. The Project Director, at Director General level, shall manage detailed project activities and report to the Project Coordinator. The Project Manager, at deputy Director General level of MRD, shall assist the Project Director in managing daily activities. MRD shall ensure that all the personnel identified for PMU take the positions prior to commencement of Project implementation.

Implementing Agencies

5. Each PDRD of the concerned Project Province shall be the IA in carrying out the detailed Project implementation in the Project Province, including executing civil works.

Implementation Actions

6. MRD shall complete the ongoing draft MRD policy for rural roads, as acceptable to ADB, ensure that it be approved by the Minister of MRD within 9 months after loan effectiveness and disclose it in a public address and media, as a draft policy, by the Minister of MRD. MRD shall also ensure that implementation of this policy is supported by an appropriate institutional arrangement as acceptable to ADB.

7. MRD shall complete the draft sub-decree on road right of way for MRD as acceptable to ADB, and have it approved by the Minister of MRD within 12 months after loan effectiveness, and submit it for the approval of the Borrower's Council of Ministers.
8. MRD shall complete the draft sub-decree on axle load control for MRD roads, as acceptable to ADB, and have it approved by the Minister of MRD, submit it for approval of the Borrower's Council of Ministers and Prime Minister and implement such axle load control program effectively, within 12 months after loan effectiveness.
9. MRD shall implement the RARM and implement such RARM and the Good Governance Framework effectively during the entire Project Implementation period, as acceptable to ADB.
10. Apart for the standard requirements of ADB's public disclosure policy, MRD shall publicly disclose its activities as mentioned in paragraphs 6 to 9 above, and local procurement activities in MRD's website, in order to increase the public awareness on its good governance practices, stipulated in paragraph 5 above.

Operation and Maintenance of Project Facilities

11. MRD shall be responsible for the operation and maintenance of the Project facilities through proper technical supervision and adequate fund allocation. The Borrower will ensure that annually adequate budget is made available for the operation and maintenance of project facilities during and after the Project.

Environment

12. The Borrower and MRD shall ensure that all the Project facilities shall be constructed, operated, maintained, and monitored in strict conformity with: (a) all applicable environmental laws and regulations, policies, procedures and guidelines of the Borrower, (b) ADB's *Safeguard Policy Statement* (2009); and (c) the environmental mitigation and monitoring measures detailed in the EMP.
13. In case of any discrepancy between the Borrower's laws and regulations, and ADB's policy regarding environmental protection, ADB's policy shall prevail.
14. To minimize any adverse environmental impacts arising from the construction and operation of the Project, MRD shall ensure implementation of all environmental mitigation and monitoring measures set forth in the EMP.
15. MRD shall ensure that all bidding documents and civil works contracts contain provisions that require contractors to comply with the mitigation measures set forth in the EMP, and allocate a budget for all such environmental mitigation measures.
16. MRD shall adequately supervise and monitor the construction works carried out by contractors to ensure compliance with the mitigation measures set forth in the EMP.
17. MRD shall award civil works contracts upon confirmation that necessary environmental approval for the Project has been obtained from the Ministry of Environment of the Borrower. A copy of such approval, if required, shall be submitted to ADB upon issuance.

18. MRD shall update the EMP in a form and manner satisfactory to ADB, if any unanticipated environmental risks and impacts arise.

19. MRD shall update the IEE in a form and manner satisfactory to ADB, if there are any changes to Project design that would cause significant environmental risks or impacts not within the scope of the IEE and submit such updated IEE to ADB for clearance.

20. Prior to commencement of site works, MRD shall establish an environmental grievance redress mechanism, acceptable to ADB, to receive and facilitate resolution of affected peoples' concerns, complaints, and grievances about the Project's environmental performance. MRD shall make public the existence of this grievance redress mechanism through public awareness campaigns; review and address environmental grievances of stakeholders in relation to the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and proactively and constructively respond to such grievances.

21. MRD shall submit semi-annual environmental monitoring reports to ADB.

Social Safeguards

22. MRD shall ensure that any involuntary resettlement be carried out in accordance with the agreed resettlement framework, ADB's Safeguards Policy Statement (2009), and relevant laws of the country. In case of differences between Borrower's laws and regulations and ADB's policy in this regard, ADB's policy shall prevail.

23. In case of such involuntary resettlement, MRD, in close collaboration with the Resettlement Department of MEF as the secretariat of the IRC, shall be responsible for internal monitoring of resettlement activities, including engagement of an external monitoring agency 1 month before commencement of detailed design. The internal and external monitoring reports shall be submitted to ADB every quarter and uploaded on MRD's website within 2 weeks of their submission; and such monitoring and reporting activities shall be carried out until resettlement has been completed.

24. In case of such involuntary resettlement, the Borrower shall ensure the timely provision of counterpart funds for resettlement in order to satisfy the requirements and objectives of resettlement.

Labor and Gender

25. The Borrower shall ensure the effective implementation of the Labor and Gender Action Plan. The Borrower shall ensure that all works contracts under the Project incorporate provisions and budgets to the effect that contractors (a) comply with the Borrower's applicable labor laws and related international treaty obligations and do not employ child labor, (b) provide safe working conditions and separate water and sanitation facilities for male and female workers in the construction camps and in the construction sites, (c) provide equal wages to male and female workers for work of equal value, and (d) recruit local labor for construction work (with at least 40% of unskilled laborers to be women) and road maintenance (with at least 50% of them to be women), (e) the contractor maintains the Borrower's Ministry of Health approved first aid kits and facilities on each construction site and

maintain a register of all work related accidents, (f) be responsible for the evacuation of any injured worker to a hospital as a result of any work related accident in case if the contractor's first aid is insufficient.

Ethnic Minority

26. The Borrower shall ensure that the Project does not affect any ethnic minority peoples. In case any ethnic minority is affected, MRD shall develop and ethnic minority development plan acceptable to ADB in accordance with ADB's Safeguards Policy Statement (2009).

Other Social Risks

27. MRD shall ensure that the agreed HIV/AIDS and Human Trafficking Prevention Program will be implemented and monitored.

Application of Safeguards Requirements to Co-financed Components

28. MRD shall ensure that ADB's environmental and social safeguard policies and requirements are applied and implemented for all project components regardless of financing source.

Capacity Development for MRD

29. MRD shall ensure that the social and environment unit in MRD be established before the detailed design and implementation supervision consultants are recruited.

Counterpart Financing

30. The Borrower shall ensure that the counterpart financing be made available in a timely manner for the Project's smooth implementation.

Construction Quality Standard

31. MRD shall ensure that all Project roads and related facilities are rehabilitated according to appropriate standards acceptable to ADB.

Training Arrangements

32. MRD shall ensure that all training programs in the road asset management component be implemented to sustain the objectives of such training, within MRD and within the sector, including the construction industry of Cambodia.

Governance and Anti Corruption

33. MRD shall (i) ensure that application of a uniform effective financial and accounting system compatible with ADB's *Guidelines for Governance and Financial Management* be established and maintained that meets internationally recognized standards, and (ii) apply procurement processes on the basis of transparency, simplicity, and client responsiveness.

Schedule 5

34. The Borrower and MRD shall comply with ADB's *Anticorruption Policy* (1998, as amended from time to time). The Borrower and MRD agree: (a) that ADB reserves the right to investigate 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.

35. Within 9 months after the Effective Date, MRD shall create a Project website to disclose information about various matters on the Project, including procurement. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted amount of contract awarded, and the list of goods/services procured.

36. Within 9 months after the Effective Date, MRD shall prepare a grievance redress mechanisms, acceptable to ADB, and establish a task force to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances due to resettlement and environmental issues. The task force shall (i) make public the existence of this grievance redress mechanisms, through a public awareness campaign; (ii) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (iii) proactively and constructively respond to them.

37. The Borrower and MRD shall sign and implement the Good Governance Framework. With respect to the several requirements under the Good Governance Framework that are similar to the requirements stated in paragraphs 35 and 36 of this Schedule 5 to this Loan Agreement, such as the requirements to establish a project website and grievance redress mechanisms, the Borrower and MRD shall only establish one Project website and one grievance redress mechanisms to meet the conditions under the Good Governance Framework and this Loan Agreement. MRD shall consult with ADB to ensure that the project website and the grievance redress mechanisms are acceptable to both ADB.

UXO Clearance

38. The Borrower shall ensure that civil works contracts financed by the Project have provisions that before commencing their construction works, civil works contractors: (a) shall have cleared all UXOs on the construction sites; and (b) shall provide to MRD the verification that the construction sites have actually been cleared. MRD shall not issue a notice to proceed for any construction works until it obtains such verification from the concerned civil works contractors.

Project Monitoring and Evaluation

39 MRD shall ensure that the baseline socioeconomic survey with sex-disaggregated data is completed within a period of 9 months after the loan Effective Date.