
LOAN NUMBER CAM-3289(SF)

LOAN AGREEMENT
(Special Operations)

(Uplands Irrigation and Water Resources Management Sector Project)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 10 NOVEMBER 2015

CAM 44328

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 10 November 2015 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; and

(B) 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) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(b) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(c) “Environmental Assessment and Review Framework” or “EARF” means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(d) “Environmental Management Plan” or “EMP” means each environmental management plan for a Subproject, including any update thereto, incorporated in the respective IEE;

(e) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

- (f) “FWUC” means a farmer water user community;
- (g) “GAP” means the gender action plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (h) “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;
- (i) “HIV/AIDS” means human immunodeficiency virus/acquired immune deficiency syndrome;
- (j) “Initial Environmental Examination” or “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (k) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (l) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2015, as amended from time to time);
- (m) “MOWRAM” means the Borrower’s Ministry of Water Resources and Meteorology, or any successor thereto;
- (n) “PAM” means the project administration manual for the Project dated 12 August 2015 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;
- (o) “PDWRAM” means the provincial department of water resources and meteorology of the Borrower;
- (p) “Procurement Guidelines” means ADB’s Procurement Guidelines (2015, as amended from time to time);
- (q) “Procurement Manual” means the Procurement Manual under the Standard Operating Procedures prepared by the Borrower and endorsed by ADB, which sets forth the procurement-related policies and procedures for externally-financed projects and programs;
- (r) “Procurement Plan” means the procurement plan for the Project dated 12 August 2015 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB (which include the Standard Operating Procedures and the Procurement Manual as updated from time to time);
- (s) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MOWRAM or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(t) “Project facilities” means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;

(u) “Project Provinces” means Kampong Thom province and Battambang province within the territory of the Borrower where the Project is carried out;

(v) “Resettlement Framework” or “RF” means the land acquisition and resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(w) “Resettlement Plan” or “RP” means each resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;

(x) “Safeguard Policy Statement” or “SPS” means ADB's Safeguard Policy Statement (2009);

(y) “Safeguards Monitoring Report” means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, the EMPs and the RPs (as applicable), including any necessary corrective and preventative actions in compliance with EARF and RF;

(z) “Standard Operating Procedures” means the standard operating procedures of the Borrower dated 22 May 2012 (as amended from time to time) providing procedures applicable to all externally-financed projects and programs;

(aa) “Subproject” means a subproject to be selected and carried out in accordance with paragraph 21 of Schedule 5 to this Loan Agreement and the relevant provisions of the PAM; and

(bb) “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 forty-three million one hundred twenty-one thousand Special Drawing Rights (SDR43,121,000).

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 subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 April and 15 October in each year.

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

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

ARTICLE III

Use of Proceeds of the Loan

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

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. 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 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 September 2021 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 separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, 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 fund and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

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

ARTICLE V

Effectiveness

Section 5.01. 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 VI

Miscellaneous

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

The Ministry of Economy and Finance
St. 92, Sangkat Wat Phnom
Khan Daun Penh
Phnom Penh
Cambodia

Facsimile Numbers:

(855-23) 427 798
(855-23) 428 424.

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2331.


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

KINGDOM OF CAMBODIA

By 

H.E. DR. AUN PORNMONIROTH
Minister
Ministry of Economy and Finance

ASIAN DEVELOPMENT BANK

By 

JAN HANSEN
Authorized Representative

SCHEDULE 1

Description of the Project

1. The objective of the Project is to enhance water and agricultural productivity in the Project Provinces.
2. The Project shall comprise the following outputs:

Output 1: Enhanced efficiency and climate resilience of irrigation systems comprising the rehabilitation, modernization, and climate proofing of at least three irrigation systems to increase the cultivated area to approximately 29,500 hectares in the Project Provinces. Specifically, this output shall:

- (a) rehabilitate undersluice and spillway of Taing Kraisang headworks, approximately 22 km main Taing Kraisang canal, and approximately 48 km secondary and tertiary canals;
- (b) install pumping system and associated distribution channels to lift water by a maximum of 3 meters for area of approximately 2,960 hectares of developed rain-fed land in Taing Kraisang command;
- (c) rehabilitate Prek Chik headworks (including rising of spillway by approximately 1.5 meters), approximately 28 km main Prek Chik canal, and approximately 70.2 km secondary and tertiary canals to cover approximately 10,400 hectares net irrigated area;
- (d) install structures and gauges for water measurement, control and distribution on Taing Krasaing and Prek Chik main and distribution canals;
- (e) improve drainage facilities for approximately 1,800 hectares for climate proofing of the irrigation facilities against floods;
- (f) laser land level approximately 2,000 hectares; and
- (g) conduct feasibility study, design and improvement works of O Kra Nahk irrigation system for approximately 1,500 hectares in Kampong Thom province and other non-core Subprojects.

Output 2: Improved water resource management consisting of the following:

- (a) organization of FWUCs and provision of gender inclusive trainings to FWUCs' members in the operation and maintenance of canals, management of FWUCs, issues related to climate variability and change, water management, and involve them in design and implementation of Subprojects;

- (b) installation of hydro-meteorological stations in the watersheds for water resource monitoring;
- (c) establishment of canals flow measurement system;
- (d) training staff of MOWRAM, Department of Farmer Water User Communities, PDWRAMs, FWUCs and Ministry of Agriculture, Forestry and Fisheries on modern canal operation techniques, irrigation scheduling, watershed management, water management and awareness on strengthening climate resilience in water resources management;
- (e) modernization of canal operations;
- (f) irrigation scheduling and integrating with canal flow gauging system to manage supplies particularly during droughts; and
- (g) designing of joint reservoir operation of Stung Chinit and Taing Krasaing reservoirs in Kampong Thom province and Bassac and Dauntri reservoirs in Battambang province to improve water sharing arrangements between linked systems and ensure equitable distribution particularly during droughts.

3. The Project also includes the provision of consulting services for project management and implementation consultants and external monitoring agency for environmental safeguards.

4. The Project is expected to be completed by 31 March 2021.

SCHEDULE 2**Amortization Schedule****(Uplands Irrigation and Water Resources Management Sector Project)**

| Date Payment Due | Payment of Principal (expressed in Special Drawing Rights)* |
|-------------------------|--|
| 15 October 2023 | 898,354 |
| 15 April 2024 | 898,354 |
| 15 October 2024 | 898,354 |
| 15 April 2025 | 898,354 |
| 15 October 2025 | 898,354 |
| 15 April 2026 | 898,354 |
| 15 October 2026 | 898,354 |
| 15 April 2027 | 898,354 |
| 15 October 2027 | 898,354 |
| 15 April 2028 | 898,354 |
| 15 October 2028 | 898,354 |
| 15 April 2029 | 898,354 |
| 15 October 2029 | 898,354 |
| 15 April 2030 | 898,354 |
| 15 October 2030 | 898,354 |
| 15 April 2031 | 898,354 |
| 15 October 2031 | 898,354 |
| 15 April 2032 | 898,354 |
| 15 October 2032 | 898,354 |
| 15 April 2033 | 898,354 |
| 15 October 2033 | 898,354 |
| 15 April 2034 | 898,354 |
| 15 October 2034 | 898,354 |
| 15 April 2035 | 898,354 |
| 15 October 2035 | 898,354 |
| 15 April 2036 | 898,354 |
| 15 October 2036 | 898,354 |
| 15 April 2037 | 898,354 |
| 15 October 2037 | 898,354 |
| 15 April 2038 | 898,354 |
| 15 October 2038 | 898,354 |
| 15 April 2039 | 898,354 |
| 15 October 2039 | 898,354 |
| 15 April 2040 | 898,354 |
| 15 October 2040 | 898,354 |
| 15 April 2041 | 898,354 |
| 15 October 2041 | 898,354 |
| 15 April 2042 | 898,354 |
| 15 October 2042 | 898,354 |
| 15 April 2043 | 898,354 |
| 15 October 2043 | 898,354 |
| 15 April 2044 | 898,354 |
| 15 October 2044 | 898,354 |

| | |
|-----------------|-------------------|
| 15 April 2045 | 898,354 |
| 15 October 2045 | 898,354 |
| 15 April 2046 | 898,354 |
| 15 October 2046 | 898,354 |
| 15 April 2047 | 898,362 |
| TOTAL | 43,121,000 |

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

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

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

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest Charge

3. The amount allocated to Category 6 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.

TABLE
ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS
(Uplands Irrigation and Water Resources Management Sector Project)

| Number | Category | Total Amount Allocated for ADB Financing (SDR) | Percentage and Basis for Withdrawal from the Loan Account |
|---------------|---|---|--|
| 1 | Works | 29,481,000 | 100% of total expenditure claimed* |
| 2 | Hydrometeorology Equipment | 862,000 | 100% of total expenditure claimed |
| 3 | Office Equipment, Furniture and Vehicle | 719,000 | 100% of total expenditure claimed |
| 4 | Consulting Services | 3,485,000 | 100% of total expenditure claimed |
| 5 | Incremental Operating Cost | 180,000 | 100% of total expenditure claimed |
| 6 | Interest During Implementation | 1,164,000 | 100% of amount due |
| 7 | Unallocated | 7,230,000 | |
| | Total | 43,121,000 | |

* 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 in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

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:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) 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 Works.

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.

Conditions for Award of Contract

7. The Borrower shall not award any Works contracts until:
 - (a) MOWRAM has obtained the final approval of the IEE from the Borrower's Ministry of Environment;

- (b) the respective Project Provinces have incorporated the relevant provisions from the EMP and RP into the concerned Works contracts; and
- (c) the Borrower has prepared and submitted to ADB the final RP (if applicable) based on the Project's detailed design, and obtained ADB's clearance of such RP.

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.

9. The Borrower shall apply methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan.

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.

ADB's Review of Procurement Decisions

12. 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; Environmental, Social and Financial Matters

Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM and RF, as applicable. 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.

Environment

2. The Borrower shall ensure or cause MOWRAM to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the applicable principles and requirements sets forth in the SPS; and (c) all measures and requirements set forth in the EARF, IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

3. The Borrower shall ensure or cause MOWRAM to ensure that no Subproject with Category A environmental as defined in the SPS is financed under the Project.

Land Acquisition and Involuntary Resettlement

4. The Borrower shall ensure or cause MOWRAM to ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with the RF and/or RPs based on (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the applicable principles and requirements set forth in the SPS; and (c) any necessary corrective or preventative actions set forth in a Safeguards Monitoring Report as agreed by the Inter-Ministerial Resettlement Committee (IRC).

5. Without limiting the application of the SPS or the RP(s), the Borrower shall ensure or cause MOWRAM to ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP(s); and
- (b) a comprehensive income and livelihood restoration program is in place in accordance with the RP(s).

6. The Borrower shall ensure or shall cause MOWRAM to ensure that no Subproject with Category A involuntary resettlement is financed under the Project.

Indigenous Peoples

7. The Borrower shall ensure or cause MOWRAM to ensure that the Project does not have any indigenous peoples impact, all within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

8. The Borrower shall make available or cause MOWRAM to make available necessary budgetary and human resources to fully implement the EARF, EMP, RF and RP(s).

Safeguards – Related Provisions in Bidding Documents and Works Contracts

9. The Borrower shall ensure or cause MOWRAM to ensure that all bidding documents and Works contracts contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the EMP and RP(s) (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a safeguards monitoring report in compliance with EARF and RF;
- (b) make available a budget for all such environmental and social measures;
- (c) provide MOWRAM with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the EMP and RP(s);
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

10. The Borrower shall do the following or cause MOWRAM to do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the EMP and RP(s), promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in EMP or RP(s) promptly after becoming aware of the breach.

11. The Borrower shall ensure that within six months of the Effective Date an external monitoring agency acceptable to ADB is recruited from the counterpart funds for social safeguards monitoring.

Prohibited List of Investments

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

Labor Standards, Health and Safety

13. The Borrower shall ensure or cause MOWRAM to ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. MOWRAM shall include specific provisions in the bidding documents and Works contracts requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

14. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 12 above and provide ADB with regular reports.

Gender and Development

15. The Borrower shall ensure or cause MOWRAM to ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and Works contracts include relevant provisions for contractors to comply with the measures set forth in the GAP, including a provision that requires contractors to recruit at least 25% women as unskilled labor; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to: (i) at least 30% of women participation during the presentation on project design and discussion and planning of water distribution and cropping plans; (ii) at least 30% women membership in FWUCs; (iii) at least 30% women representation in FWUC management committee; (iv) at least 25% of unskilled labor employed in Works construction at equal wages shall be women; (v) at least 50% of project training to FWUC be participated by women; and (vi) capacity building of women in management of FWUC affairs, operation and maintenance and water management.

Counterpart Support

16. The Borrower shall ensure that counterpart funds necessary for the Project is provided on a timely basis.

Operation and Maintenance

17. At the time of the design and cost estimate of each Subproject, the Borrower shall ensure that operation and maintenance costs shall be estimated and maintenance plans shall be prepared by PDWRAM with support of the project management implementation consultants and involvement of the FWUCs, which shall form the basis of calculating the average annual irrigation service fees for the operation and maintenance of the distribution canals.

18. After completion of each Subproject, the Borrower shall ensure that FWUCs collect adequate irrigation service fees to sustain the operation and maintenance of distribution canals in sound and functional order and provide additional counterpart funds to cover any shortfalls.

19. Before and after the completion of the irrigation systems, the Borrower shall ensure that adequate counterpart funds are allocated each year and provided on a timely basis for the operation and maintenance of the main canals.

20. Prior to award of the related Works contracts, PDWRAM shall sign MOUs with the respective FWUCs in accordance with the recently approved law on FWUCs. Each MOU shall outline (a) role and responsibilities of the FWUC; and (b) amount of irrigation service fee per hectare, which shall be determined during the design and cost estimation of each Subproject.

21. Prior to the completion of the Taing Krasang main canal works, the Borrower shall ensure that a tripartite water allocation agreement has been signed between PDWRAM-Kampong Thom, FWUCs and private land owners, which agreement clearly specifies the quantity, timing and duration of water to be supplied to the private land owners and the water charges to be paid by them.

Subproject Eligibility and Selection Criteria

22. The Borrower shall ensure and shall cause MOWRAM to ensure that all Subprojects are selected in accordance with the procedures as described in the PAM, and shall meet the screening and eligibility criteria agreed between the Borrower and ADB and documented in the PAM. Specifically, the Borrower shall ensure or cause MOWRAM to ensure that each Subproject meets the following criteria:

- (a) with category B or less in terms of environmental impact;
- (b) with category B or less in terms of involuntary resettlement impact;
- (c) with category C in terms of indigenous peoples impact;
- (d) irrigation system having low irrigation efficiency and water productivity, and scope for substantial enhancement of both irrigation efficiency and water productivity;
- (e) involving only rehabilitation of existing systems or related schemes and should not involve construction of new systems;
- (f) being located outside the Tonle Sap basin;
- (g) involving rehabilitation of both primary and secondary canals to ensure that water reached the farm;

- (h) not being covered by other ongoing or proposed projects financed by ADB or any other development partners;
- (i) beneficiaries including sharecroppers, poor farmers, and women farmers; and
- (j) being economically viable; and technically, socially and environmentally feasible with the EIRR of each subproject being greater than 12%.

Grievance Redress Mechanism

23. Within six months of Effective Date, the Borrower shall ensure or cause MOWRAM to ensure that separate safeguards grievance redress mechanisms for environmental and social safeguards, acceptable to ADB, are established in accordance with the provisions of the EARF, IEE, EMP, RF and RP(s), within the timeframes specified in the relevant EARF, IEE, EMP, RF and RP(s), to consider safeguards complaints.

Governance and Anti-Corruption

24. The Borrower, MOWRAM and Project Provinces shall (a) comply with ADB's Anti-corruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

25. The Borrower, MOWRAM and Project Provinces shall ensure that the anti-corruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.