
LOAN NUMBER 2983-CAM(SF)

LOAN AGREEMENT
(Special Operations)

(Greater Mekong Subregion Southern Economic Corridor Towns Development Project)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 17 JANUARY 2013

CAM 43319

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 17 January 2013 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 applied to the ADB Strategic Climate Fund (“SCF”) for a loan (“SCF Loan”) of five million Dollars (\$5,000,000) to assist in financing a portion of the Project and to be administered by ADB, upon terms and conditions set forth in a loan agreement between the Borrower and ADB (“SCF Loan Agreement”);

(C) the Borrower has applied to the SCF for a grant (“SCF Grant”) of four million four hundred thousand Dollars (\$4,400,000) to assist in financing a portion of the Project and to be administered by ADB, upon terms and conditions set forth in a grant agreement between the Borrower and ADB (“SCF Grant Agreement”);

(D) the Borrower has also applied to the Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility for a grant (“UEIF Grant”) of one million five hundred thousand Dollars (\$1,500,000) to assist in financing a portion of the Project and to be administered by ADB, upon terms and conditions set forth in a grant agreement between the Borrower and ADB (“UEIF Grant Agreement”); and

(E) 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 (2010, 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 subparagraphs 2(k) and 2(l) of Schedule 1 to this Loan Agreement;

(c) “Environmental Management Plan” or “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

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

(e) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(f) “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;

(g) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(h) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(i) “MPWT” means the Ministry of Public Works and Transport of the Borrower or any successor thereto;

(j) “PAM” means the project administration manual for the Project dated 19 October 2012 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;

(k) “Part” means each of Parts 1 to 12 of the Project as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(l) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(m) “Procurement Manual” means the Procurement Manual under the Standard Operating Procedures prepared by the Borrower and endorsed by ADB, which sets forth procurement-related policies and procedures for externally-financed projects and programs;

(n) “Procurement Plan” means the procurement plan for the Project dated 19 October 2012 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 Guidelines and Procurement Manual as updated from time to time);

(o) “Resettlement Plan” or “RP” means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(q) “Safeguards Monitoring Report” means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP, the RP and the IPP (as applicable), including any corrective and preventative actions;

(r) “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; and

(s) “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 four million twenty three thousand Special Drawing Rights (SDR 24,023,000).

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 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 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 June 2019 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 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

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events 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:

(a) the SCF Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date;

(b) the SCF Grant shall have become liable for suspension or cancellation; and

(c) the UEIF Grant shall have become liable for suspension or cancellation.

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

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:

(a) the SCF Loan Agreement shall have been duly authorized, 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;

(b) the SCF Grant Agreement shall have been duly authorized, 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; and

(c) the UEIF Grant Agreement shall have been duly authorized, 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. The following are specified as additional matters, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

(a) the SCF Loan Agreement has been duly authorized, executed and delivered on behalf of the Borrower, and is legally binding upon the Borrower in accordance with its terms;

(b) the SCF Grant Agreement has been duly authorized, executed and delivered on behalf of the Borrower, and is legally binding upon the Borrower in accordance with its terms; and

(c) the UEIF Grant Agreement has been duly authorized, executed and delivered on behalf of the Borrower, and is legally binding upon the Borrower in accordance with its terms.

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

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

The Ministry of Economy and Finance
Street 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:

(63-2) 636-2444
(63-2) 636-2331.

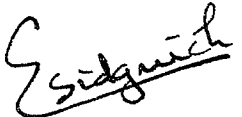
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

KINGDOM OF CAMBODIA

By 

H.E. KEAT CHHON
Deputy Prime Minister
Minister of Economy and Finance

ASIAN DEVELOPMENT BANK

By 

ERIC SIDGWICK
Country Director
Cambodia Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve urban infrastructure and services in the towns of Battambang, Bavet, Neak Loeung and Poipet.
2. The Project shall comprise of:
 - (a) rehabilitation of the waste water and sewerage system, and installation of a new waste water treatment plant in Battambang (“Part 1”);
 - (b) construction of a new embankment and related flood control structures in Battambang (“Part 2”);
 - (c) establishment of a materials recovery facility for solid-waste recycling in Battambang (“Part 3”);
 - (d) rehabilitation of the waste water and sewerage system, and installation of a new waste water treatment plant in Bavet (“Part 4”);
 - (e) widening of the 10 km main road (from a 2-lane to a 4-lane road), and construction of related drainage structures in Bavet (“Part 5”);
 - (f) construction of a materials recovery facility for solid waste recycling in Bavet (“Part 6”);
 - (g) construction of flood control structures, and an access road in Neak Loeung (“Part 7”);
 - (h) rehabilitation of the waste water and sewerage system, and installation of a new waste water treatment plant in Poipet (“Part 8”);
 - (i) enhancement of the solid waste management system, including a new sanitary landfill in Poipet (“Part 9”);
 - (j) establishment of a materials recovery facility for solid waste recycling in Poipet (“Part 10”);
 - (k) project implementation support, including technical support for detailed engineering design, construction supervision, procurement, environmental and social safeguards and financial management (“Part 11”); and
 - (l) capacity development support in urban infrastructure planning, management and implementation, including support for policy and institutional development in public-private partnerships and climate adaptation measures (“Part 12”).
3. The Project is expected to be completed by 31 December 2018.

SCHEDULE 2**Amortization Schedule****(Greater Mekong Subregion Southern Economic Corridor Towns Development Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
1 May 2021	500,479.00
1 November 2021	500,479.00
1 May 2022	500,479.00
1 November 2022	500,479.00
1 May 2023	500,479.00
1 November 2023	500,479.00
1 May 2024	500,479.00
1 November 2024	500,479.00
1 May 2025	500,479.00
1 November 2025	500,479.00
1 May 2026	500,479.00
1 November 2026	500,479.00
1 May 2027	500,479.00
1 November 2027	500,479.00
1 May 2028	500,479.00
1 November 2028	500,479.00
1 May 2029	500,479.00
1 November 2029	500,479.00
1 May 2030	500,479.00
1 November 2030	500,479.00
1 May 2031	500,479.00
1 November 2031	500,479.00
1 May 2032	500,479.00
1 November 2032	500,479.00
1 May 2033	500,479.00
1 November 2033	500,479.00
1 May 2034	500,479.00
1 November 2034	500,479.00
1 May 2035	500,479.00
1 November 2035	500,479.00
1 May 2036	500,479.00
1 November 2036	500,479.00
1 May 2037	500,479.00
1 November 2037	500,479.00
1 May 2038	500,479.00
1 November 2038	500,479.00
1 May 2039	500,479.00
1 November 2039	500,479.00
1 May 2040	500,479.00
1 November 2040	500,479.00

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
1 May 2041	500,479.00
1 November 2041	500,479.00
1 May 2042	500,479.00
1 November 2042	500,479.00
1 May 2043	500,479.00
1 November 2043	500,479.00
1 May 2044	500,479.00
1 November 2044	500,487.00
Total	24,023,000.00

* 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 3 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, in consultation with 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, in consultation with 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 (Greater Mekong Subregion Southern Economic Corridor Towns Development Project)				
No.	Item	Total Amount Allocated for ADB Financing (SDR)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	18,451,000		
1A	Battambang Wastewater Treatment		6,247,000	74.9% of total expenditure claimed*
1B	Battambang Flood Control		829,000	68.0% of total expenditure claimed*
1C	Bavet Wastewater Treatment		1,277,000	68.0% of total expenditure claimed*
1D	Bavet Urban Roads		5,010,000	100.0% of total expenditure claimed*
1E	Neak Loeung Flood Control		1,581,000	68.0% of total expenditure claimed*
1F	Poipet Wastewater Treatment		1,576,000	68.0% of total expenditure claimed*
1G	Poipet Solid Waste Management		1,931,000	100.0% of total expenditure claimed*
2	Consulting Services	2,859,000		
2A	Battambang Wastewater Treatment		415,000	68.0% of total expenditure claimed*
2B	Battambang Flood Control		60,000	68.0% of total expenditure claimed*
2C	Bavet Wastewater Treatment		138,000	68.0% of total expenditure claimed*
2D	Bavet Urban Roads		405,000	100.0% of total expenditure claimed*
2E	Neak Loeung Flood Control		114,000	68.0% of total expenditure claimed*
2F	Poipet Wastewater Treatment		114,000	68.0% of total expenditure claimed*
2G	Poipet Solid Waste Management		124,000	100.0% of total expenditure claimed*
2H	Project Implementation Support		714,000	70.2% of total expenditure claimed*
2I	Capacity Development and Training		694,000	72.5% of total expenditure claimed*
2J	External Monitoring		81,000	100.0% of total expenditure claimed*
3	Interest during Construction	582,000		100.0% of total amount due
4	Unallocated	2,131,000		

	Total	24,023,000		
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*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; and
 - (b) National Competitive Bidding.
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 contract which involves environmental impacts until MPWT has:

- (a) obtained the final approval of the IEE from the appropriate authority of the Borrower; and
- (b) incorporated the relevant provisions from the EMP into the Works contract.

8. The Borrower shall not award any Works contract which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final RP based on the detailed design, and obtained ADB's clearance of such RP.

Consulting Services

9. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

10. 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: Consultant Qualification Selection for (a) detailed design and construction supervision; and (b) independent monitoring.

11. The Borrower shall recruit the individual consultants for such services as agreed with ADB in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

12. (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.

13. 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 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

14. 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; Financial Matters

Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM 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, and cause MPWT to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project comply with: (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEEs, the EMPs and any corrective or preventative actions set forth in a Safeguards Monitoring Report. The Borrower shall ensure, and cause MPWT to ensure, that the foregoing is applied and implemented for all Parts of the Project, regardless of the financing source.

3. The Borrower shall ensure that Bavet and Poipet municipalities pass regulation requiring that no untreated waste water is discharged by industrial companies within 36 months of the Effective Date.

Land Acquisition and Involuntary Resettlement

4. The Borrower shall ensure, and cause each Project province 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: (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RPs, and any corrective or preventative actions set forth in the Safeguards Monitoring Report. Without limiting the generality of the foregoing, the Borrower shall ensure, and cause each Project province to ensure, that prior to the commencement of Works a clear land title (which is free of any kind of encumbrance) shall be provided for the implementation of Parts 3, 6 and 10 of the Project.

5. Without limiting the application of the Involuntary Resettlement Safeguards or the RPs, the Borrower shall cause MPWT 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 RPs; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RPs.

Indigenous Peoples

6. No impact on indigenous people is expected for the Project. In the event that there is any such impact, the Borrower shall cause MPWT to ensure that it adheres to applicable laws and regulations of the Borrower and the SPS.

Human and Financial Resources to Implement Safeguards Requirements

7. The Borrower shall make available, and cause MPWT to make available, necessary budgetary and human resources to fully implement the EMPs and the RPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. The Borrower shall ensure, and cause MPWT to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEEs, the EMPs and the RPs (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures; and
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEEs, the EMPs and the RPs.

Safeguards Monitoring and Reporting

9. The Borrower shall do the following:

- (a) submit semiannual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEEs, the EMPs and the RPs, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than the commencement of land acquisition and resettlement activities, engage qualified and experienced external monitoring organization(s) under terms of references acceptable to the Borrower and ADB, to verify information produced through the Project monitoring process and facilitate the carrying out of any verification activities; and

- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMPs and the RPs promptly after becoming aware of the breach.

Prohibited List of Investments

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

Labor Standards and Health

11. The Borrower shall ensure, and cause MPWT to ensure that, all Works contractors: (a) comply with all applicable labor laws of the Borrower; (b) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Project; (c) disseminate information at worksites on health safety for those employed during construction; (d) provide equal pay to men and women for work of equal type; (e) provide safe working conditions and separate culturally appropriate facilities for male and female workers; and (f) abstain from child labor.

Gender and Development

12. The Borrower shall ensure, and cause MPWT to ensure, that: (a) the gender action plan developed for the Project is implemented in accordance with its terms; (b) the bidding documents include relevant provisions for contractors to comply with the measures set forth in this plan; (c) adequate resources are allocated for the implementation of this plan; and (d) key gender outcome and output targets (notably: (i) gender awareness and sensitisation training to be carried out for 30 staff from MPWT and the implementing agencies; (ii) 30 percent of the construction workers hired by the Works contractors should be female; (iii) 20 percent of the total staff in the project management unit and the project implementation units of the Project shall be female; and (iv) within 24 months of the Effective Date, 20 percent of the total management positions in the project management unit and the project implementation units of the Project shall be occupied by female) are monitored regularly and achieved.

13. The Borrower shall ensure, and cause MPWT to ensure that, the stakeholder communication strategy developed for the Project is implemented in a timely manner.

Sector Development

14. The Borrower shall cause MPWT to: (a) adopt a business plan for achieving full cost recovery (to cover operation and maintenance expenditures) of the facilities developed under Parts 1, 4 and 8 of the Project prior to their physical completion; and (b) commit to making up shortfall through budget allocations to cover operation and maintenance expenditures.

Governance and Anticorruption

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

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

17. The Borrower shall cause MPWT to prepare and effectively implement a good governance framework, in a form and substance acceptable to ADB during Project implementation.