

---

LOAN NUMBER 4005-NEP(COL)

LOAN AGREEMENT  
(Ordinary Operations [Concessional])

(South Asia Subregional Economic Cooperation Airport Capacity Enhancement Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 22 DECEMBER 2020

---

NEP 38349

**LOAN AGREEMENT**  
**(Ordinary Operations [Concessional])**

LOAN AGREEMENT dated 22 December 2020 between NEPAL ("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 Project will be carried out by Civil Aviation Authority of Nepal ("CAAN"), and for this purpose the Borrower will make available to CAAN the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and CAAN;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(w) is deleted and the following is substituted therefor:

"Project Agreement" means the project agreement of even date herewith between ADB and CAAN, as such agreement may be amended from time to time; and such project agreement includes all schedules to the project agreement;

(b) The term "Project Executing Agency" appearing in Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the term "CAAN".

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) "CAAN" means the Civil Aviation Authority of Nepal, established under and governed by the Civil Aviation Authority of Nepal Act, 2053, as amended to date, or any successor thereto acceptable to ADB;
- (b) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (c) "EMP" means an 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) "GBA" means the Gautam Buddha Airport of the Borrower;
- (f) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (g) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (h) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (i) "MOCTCA" means the Ministry of Culture, Tourism and Civil Aviation of the Borrower, or any successor thereto;
- (j) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (k) "PAM" means the project administration manual for the Project dated 1 October 2020 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;
- (l) "Procurement Plan" means the procurement plan for the Project dated 1 October 2020 and agreed between the Borrower and ADB updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (m) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);

- (n) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (o) "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, including any corrective and preventative actions;
- (p) "Services" means Consulting Services and Nonconsulting Services;
- (q) "SPS" means ADB's Safeguard Policy Statement (2009);
- (r) "Subsidiary Loan Agreement" means the agreement between the Borrower and CAAN described in Section 3.01 of this Loan Agreement;
- (s) "TIA" means the Tribhuvan International Airport of the Borrower; and
- (t) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services and project related services that are provided as part of a single responsibility or turnkey contract.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred fifty million Dollars (\$150,000,000).

(b) The Loan has a principal repayment period of 24 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) 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 2.02. 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.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 May and 15 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. (a) The Borrower shall relend the proceeds of the Loan together with other funds required for the Project to CAAN under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB.

(b) The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project 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. Withdrawals from the Loan Account in respect of Goods, Works and Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and 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 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 2027 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 the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, and any relevant records and documents.

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable CAAN to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

## ARTICLE V

### Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower or CAAN shall have failed to perform any of its obligations under the Subsidiary 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 has 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 Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and CAAN and shall have become legally binding on the Borrower and CAAN in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 6.02. The following is specified as an additional matter, 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: that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and CAAN, and is legally binding on the Borrower and CAAN in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

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

**ARTICLE VII****Miscellaneous**

Section 7.01. The Secretary or Joint Secretary (International Economic Cooperation Coordination Division) of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

**For the Borrower**

Ministry of Finance  
Singha Durbar  
Kathmandu, Nepal

Facsimile Number:

977-1-4211165

For ADB

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

## Facsimile Numbers:

(632) 8636-2444  
(632) 8636-2340.

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.

NEPAL

By 

SHREEKRISHNA NEPAL  
Joint Secretary

International Economic Cooperation  
Coordination Division  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

RUDOLPHUS HENDRIKUS VAN DAEL  
Officer-in-Charge  
Nepal Resident Mission



## **SCHEDULE 1**

### **Description of the Project**

1. The objective of the Project is to improve the safety, capacity and efficiency of air travel to and from the territory of the Borrower.
2. The Project shall comprise:
  - (a) construction of airside facilities at the TIA, including the extension of parallel taxiway and hangar aprons;
  - (b) construction of a new international terminal building at the GBA using solar panels and energy efficient lighting; and
  - (c) support for (i) designing a new international terminal building with special facilities and features promoting gender equality and social inclusion, located between TIA's existing international and domestic terminal buildings and a new flight control tower; (ii) redesigning the existing international terminal building for purposes of its conversion into the domestic terminal building; and (iii) exploring options for public-private partnership participation in TIA and GBA.
3. The Project is expected to be completed by 31 December 2026.

**SCHEDULE 2****Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)*
15 May 2029	3,125,000
15 November 2029	3,125,000
15 May 2030	3,125,000
15 November 2030	3,125,000
15 May 2031	3,125,000
15 November 2031	3,125,000
15 May 2032	3,125,000
15 November 2032	3,125,000
15 May 2033	3,125,000
15 November 2033	3,125,000
15 May 2034	3,125,000
15 November 2034	3,125,000
15 May 2035	3,125,000
15 November 2035	3,125,000
15 May 2036	3,125,000
15 November 2036	3,125,000
15 May 2037	3,125,000
15 November 2037	3,125,000
15 May 2038	3,125,000
15 November 2038	3,125,000
15 May 2039	3,125,000
15 November 2039	3,125,000
15 May 2040	3,125,000
15 November 2040	3,125,000
15 May 2041	3,125,000
15 November 2041	3,125,000
15 May 2042	3,125,000
15 November 2042	3,125,000
15 May 2043	3,125,000
15 November 2043	3,125,000
15 May 2044	3,125,000
15 November 2044	3,125,000
15 May 2045	3,125,000
15 November 2045	3,125,000
15 May 2046	3,125,000
15 November 2046	3,125,000

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)*
15 May 2047	3,125,000
15 November 2047	3,125,000
15 May 2048	3,125,000
15 November 2048	3,125,000
15 May 2049	3,125,000
15 November 2049	3,125,000
15 May 2050	3,125,000
15 November 2050	3,125,000
15 May 2051	3,125,000
15 November 2051	3,125,000
15 May 2052	3,125,000
15 November 2052	3,125,000
Total	150,000,000

\* 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 of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and 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 "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.

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.

Retroactive Financing

6. Withdrawals from the Loan Account may be made to finance eligible 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 recruitment of the Consulting Services, preconstruction activities, and Project management, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS				
Number	Item	Total Amount Allocated for ADB Financing (US\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	113,100,000		78% of total expenditure claimed
2	Consulting Services	9,900,000		
2a	Construction Supervision Consultant & Individual Consultants		7,200,000	100% of total expenditure claimed*
2b	Design of Next Phase**		2,700,000	100% of total expenditure claimed*
3	Interest Charge	4,700,000		100% of amounts due
4	Unallocated	22,300,000		
	<b>TOTAL</b>	150,000,000		

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

\*\* Refers to the activities discussed in para 2(c) of Schedule 1.

**SCHEDULE 4****Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower and CAAN 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.

Procurement

2. The Borrower and CAAN shall ensure that:
- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
  - (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
  - (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.
3. The Borrower shall ensure that CAAN does not award any Works or Nonconsulting Services contracts which involves environmental impacts until:
- (a) MOCTCA has granted the final approval of the IEE; and
  - (b) CAAN has incorporated the relevant provisions from the respective EMP into the Works contract.

Environment

4. The Borrower shall ensure, and cause CAAN 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 IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Land Acquisition and Involuntary Resettlement

5. The Borrower shall ensure, and cause CAAN to ensure, that the Project does not have any involuntary resettlement impact within the meaning of the SPS. If due to unforeseen circumstances, the Project involves such impacts, the Borrower shall take all steps necessary or desirable to ensure that the Project complies with all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement and with the SPS.

#### Indigenous Peoples

6. The Borrower shall ensure, and cause CAAN to ensure, that the Project does not impact indigenous peoples within the meaning of the SPS. If due to unforeseen circumstances, the Project impacts indigenous peoples, the Borrower shall take all steps necessary or desirable to ensure that the Project complies with all applicable laws and regulations of the Borrower relating to indigenous peoples and with the SPS.

#### Human and Financial Resources to Implement Safeguards Requirements

7. The Borrower shall make available, and cause CAAN to make available, necessary budgetary and human resources to fully implement the EMP.

#### Safeguards – Related Provisions in Bidding Documents and Works Contracts

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

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE and the EMP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (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 IEE and the EMP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and



- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

#### Safeguards Monitoring and Reporting

9. The Borrower shall cause CAAN to do the following:
- (a) submit semiannual Safeguards Monitoring Reports to ADB in respect of implementation of and compliance with Environmental Safeguards and the EMP, semiannually during construction and implementation of the Project and the EMP, and annually during operation, until the issuance of ADB's Project completion report; 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 IEE and the EMP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan to be cleared by ADB before respective Works can proceed;
  - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP promptly after becoming aware of the breach; and
  - (d) publicly disclose safeguards assessments including the IEE and the EMP, and monitoring reports on the CAAN website and through other channels in a manner consistent with ADB's access to information policy.

#### Prohibited List of Investments

10. The Borrower shall ensure, and cause CAAN to 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, Health and Safety

11. The Borrower shall ensure, and cause CAAN to ensure, that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall include, or cause CAAN to include, specific provisions in the bidding documents and contracts financed by ADB under the Project 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; and (e) 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.

12. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 11 above and provide ADB with regular reports.

#### Gender and Development

13. The Borrower shall ensure that the principles of gender equality aimed at increasing Project benefits and impact on women in the Project area are followed during implementation of the Project. These include (a) equal pay to men and women for work of equal value, (b) enabling working conditions for women workers, and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

#### Counterpart Support

14. The Borrower shall make budgetary allocations for, and release in a timely manner, the required counterpart funds for the Project, including (a) taxes and duties, and (b) procurement and installation of equipment, apron and associated airside infrastructure in GBA's international terminal 2. The Borrower shall meet any financing shortfall to ensure that the Project is fully implemented. In addition to the foregoing, the Borrower shall ensure that CAAN has sufficient funds to satisfy its liabilities arising from each Works and Consulting Services contract.

15. The Borrower shall ensure that CAAN (a) has adequate budget to operate and maintain the assets received under the Project, and (b) maintains sound asset management practices including an asset register and conducts periodic inventories.

#### Financial Management

16. The Borrower shall ensure that the Financial Management Action Plan which provides for specific actions and timelines as set out in the PAM is implemented in accordance with its terms in close coordination with ADB.

#### Financial Covenants

17. The Borrower shall ensure, and shall cause CAAN to ensure, that the following ratios are maintained from FY2021 and onwards: (a) a debt to equity ratio of no more than 75:25; (b) a current ratio of no less than 1; and (c) a debt service coverage ratio of no less than 1.2 (with debt service being computed following generally accepted accounting principles). For the purpose of this paragraph:

- (i) the term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of CAAN not allocated to cover specific liabilities;
- (ii) the term "debt" means any outstanding indebtedness of CAAN, but excluding any amount due for payment within one year of that date at which this ratio is computed; and
- (iii) the term "current ratio" means the ratio of CAAN's current assets to its current liabilities as of its balance sheet date.

Operational Covenants

18. The Borrower shall ensure, and shall cause CAAN to ensure, that any changes in the organizational structure of CAAN, including the bifurcation of CAAN and transfer of its assets, property, and liabilities to a new Air Service Authority of Nepal to be established by the Borrower to operate all airports and air navigation services, do not affect its ability to perform its obligations under the Project Agreement and the Subsidiary Loan Agreement.

19. Without prejudice to any other rights that ADB may have under the Loan Agreement, ADB and the Borrower may agree to change the terms of this Loan Agreement, Project Agreement and/or the Subsidiary Loan Agreement in order to accommodate for the proposed changes set out in paragraph 18 hereinabove.

Governance and Corruption

20. The Borrower and CAAN 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.

21. The Borrower and CAAN shall 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.