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LOAN NUMBER 4121-SRI

LOAN AGREEMENT  
(Ordinary Operations)

(Health System Enhancement Project – Additional Financing)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

ASIAN DEVELOPMENT BANK

DATED 7 OCTOBER 2021

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SRI 51107

## **LOAN AGREEMENT (Ordinary Operations)**

LOAN AGREEMENT dated 7 October 2021 between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

### **WHEREAS**

(A) by a loan agreement dated 26 October 2018 between the Borrower and ADB ("Original Loan Agreement"), ADB provided the Borrower a concessional loan from ADB's ordinary capital resources in the amount of thirty-seven million five hundred thousand Dollars (\$37,500,000) for the purposes of the project described in Schedule 1 to the Original Loan Agreement ("Original Project");

(B) by a grant agreement dated 26 October 2018 between the Borrower and ADB ("Original Grant Agreement"), ADB provided the Borrower a grant from ADB's Special Funds resources in the amount of twelve million five hundred thousand Dollars (\$12,500,000) for the purposes of the Original Project;

(C) the Borrower has applied to ADB for an additional loan for the purposes of scaling up the Original Project, as described in Schedule 1 to this Loan Agreement ("Project");

(D) the Borrower has also applied to the Government of Japan, through the Japan Fund for Poverty Reduction ("JFPR"), for an additional grant, to be administered by ADB, in the amount of three million Dollars (\$3,000,000) ("Grant") for the purposes of cofinancing various activities under the Project, and subject to the terms and conditions of an externally financed grant agreement of even date herewith between the Borrower and ADB ("JFPR Grant Agreement"); and

(E) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

## **ARTICLE I**

### **Loan Regulations; Definitions**

Section 1.01. All the provisions of ADB's Ordinary Operations 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 (Definitions) subsection (xx) shall be deleted and replaced in its entirety as follows:



(xx) "Reference Rate" means, (i) except as ADB has otherwise made a determination in accordance with Section 3.02(c), in respect of any Loan Currency other than Euro, LIBOR, and in respect of Euro, Euribor; and (ii) if a determination is made in accordance with Section 3.02(c), such other reference rate and any spread for the Loan Currency as ADB shall reasonably determine and promptly notify the Borrower and the Guarantor.

(b) A new subsection 3.02(c) shall be inserted after subsection 3.02(b) as follows:

Section 3.02(c). If interest on any amount of the Loan is calculated based on LIBOR or Euribor, and ADB determines that (i) such Reference Rate has permanently ceased to be quoted for the relevant Loan Currency or a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate announcing such Reference Rate is no longer representative has been made or (ii) ADB is no longer able, or it is no longer commercially acceptable for ADB, to continue to use such Reference Rate for purposes of its asset and liability management, ADB shall apply such other Reference Rate for the relevant Loan Currency, including any applicable spread, as it may reasonably determine. ADB shall promptly notify the Borrower and the Guarantor of such other reference rate and any spread, and of related amendments to the provisions of the Loan Agreement necessary to give effect to its application, which shall become effective as of the date of such notice.

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 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 and the Grant;
- (b) "EARF" means the environmental assessment and review framework for the Project, including any update thereto, agreed between the Borrower and ADB and incorporated in the PAM;
- (c) "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) "GAP" means the gender action plan for the Project, including any updates thereto, as agreed between the Borrower and ADB;
- (f) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan and the Grant,

including related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;

- (g) "IEE" means each 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) "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 and the Grant;
- (j) "PAM" means the project administration manual for the Project dated 24 August 2021 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) "PHC" means primary health care;
- (l) "PHC Innovation Fund" means the PHC innovation fund established under the Original Project;
- (m) "Procurement Plan" means the procurement plan for the Project dated 24 August 2021 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (n) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (o) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (p) "Project Executing Agency" for the purpose of, and within the meaning of, the Loan Regulations means the Borrower's Ministry of Health, or any successor thereto acceptable to ADB;
- (q) "Project Provinces" means the Uva, Sabaragamuwa, Central and North Central provinces of the Borrower;
- (r) "Services" means Consulting Services and Nonconsulting Services;
- (s) "SHC" means secondary health care;
- (t) "SPS" means ADB's Safeguard Policy Statement (2009);



- (u) "Subproject" means an activity under Component 1 of the Project as described in Schedule 1 to this Loan Agreement and identified in Annexes 2 and 3 to the PAM; and
- (v) "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 ten million Dollars (\$110,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 21 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 interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 February and 15 August in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **ARTICLE III**

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

Section 3.01. 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.

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 expenditures 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. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 May 2026 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, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 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 financial reporting standards 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 auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, 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 14 days of the date of ADB's confirmation of their acceptability 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, Works and Services, and any relevant records and documents.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the JFPR Grant Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 5.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

**ARTICLE VI****Miscellaneous**

Section 6.01. Each of the Secretary of the Ministry of Finance, Deputy Secretary to the Treasury, and Director General of the Department of External Resources of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Secretary  
Ministry of Finance  
Colombo 1  
Sri Lanka

cc: Deputy Secretary to the Treasury  
Director General, Department of External Resources

Facsimile Numbers:

(94-11) 243-3349  
(94-11) 244-7633

For ADB

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

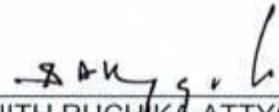
Facsimile Numbers:

(632) 8636-2444  
(632) 8636-2449.



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.

DEMOCRATIC SOCIALIST REPUBLIC OF  
SRI LANKA

By  \_\_\_\_\_  
SAJITH RUCHIKA ATTYGALLE  
Secretary  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By  \_\_\_\_\_  
CHEN CHEN  
Country Director  
Sri Lanka Resident Mission

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to improve efficiency, equity, and responsiveness of the PHC system of the Borrower.
2. The Project will further augment the Original Project and shall comprise the following:

#### **Component 1: Enhancing PHC and SHC in the Project Provinces**

- (a) enhancing PHC in the Project Provinces, including through (i) development of approximately 42 PHC facilities; (ii) expansion of the package of nutrition services to mothers and children with a special focus of most vulnerable population in the estate and rural areas in the Project Provinces; (iii) renovation of approximately 127 field health centers; and (iv) support for the behavior change communications campaign for encouraging PHC utilization; and
- (b) developing selected secondary care cluster apex hospitals in the Project Provinces, including through (i) upgrade of the 9 base hospitals (one in each of the districts of the Project Provinces); and (ii) expansion of the PHC Innovation Fund to improve continuity of care, quality of care, and comprehensiveness of the service package provided through the shared care cluster approach.

#### **Component 2: Strengthening of health information, disease surveillance capacity and COVID-19 response**

- (a) strengthening health information and disease surveillance, including through (i) provision of required hardware and establishing local area networks for health facilities to pilot the adoption of health information technology (HIT) within 9 shared care clusters in the Project Provinces; and (ii) support for the quarantine unit by further strengthening capacity for implementation of components under the core international health regulations (IHR) at selected ports of entry and the development of a quarantine information management system; and
- (b) strengthening COVID-19 response, including through support for (i) selected secondary and tertiary care hospitals by providing needed emergency medical equipment and supplies (including furniture), increasing access to intensive care unit, high dependency unit, and emergency treatment unit beds, expanding access to oxygen, and supporting transportation for home care, quarantine and intermediate care services; (ii) improving the quality and access to laboratory testing



services by supporting state-owned laboratories including Sri Lanka Institute of Biotechnology to carry out tests for COVID-19 detection, surveillance and management and by conducting the feasibility study of increasing access to testing in rural and hard-to-reach areas through deploying mobile laboratories; and (iii) enhancing the efficiency of the pre-hospital ambulance system (1990 Suwa Seriya Ambulance system) to link COVID-19 patients to the designated hospitals for further treatment and management without compromising the non-COVID-19 emergency services.

**Component 3: Supporting policy development, capacity building, and project management**

- (a) scaling-up infrastructure, IT systems and e-learning facilities in the Borrower's National Institute of Health Sciences and 9 selected regional training centers (1 center per province) to enable facilitation of pre-service, in-service, and continuous medical education of health sector staff;
- (b) supporting development of gender responsive module, a hospital design module and PHC training modules; and
- (c) providing technical support for policy development, capacity building, gender action plan implementation, and project management and additional project management and administrative costs.

3. The Project is expected to be completed by 30 November 2025.

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

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 February 2030	2.380952
15 August 2030	2.380952
15 February 2031	2.380952
15 August 2031	2.380952
15 February 2032	2.380952
15 August 2032	2.380952
15 February 2033	2.380952
15 August 2033	2.380952
15 February 2034	2.380952
15 August 2034	2.380952
15 February 2035	2.380952
15 August 2035	2.380952
15 February 2036	2.380952
15 August 2036	2.380952
15 February 2037	2.380952
15 August 2037	2.380952
15 February 2038	2.380952
15 August 2038	2.380952
15 February 2039	2.380952
15 August 2039	2.380952
15 February 2040	2.380952
15 August 2040	2.380952
15 February 2041	2.380952
15 August 2041	2.380952
15 February 2042	2.380952
15 August 2042	2.380952
15 February 2043	2.380952
15 August 2043	2.380952



15 February 2044	2.380952
15 August 2044	2.380952
15 February 2045	2.380952
15 August 2045	2.380952
15 February 2046	2.380952
15 August 2046	2.380952
15 February 2047	2.380952
15 August 2047	2.380952
15 February 2048	2.380952
15 August 2048	2.380952
15 February 2049	2.380952
15 August 2049	2.380952
15 February 2050	2.380952
15 August 2050	2.380968
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.



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

1. The table attached to this Schedule sets forth the Categories of items of expenditures 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 expenditures, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category "Interest and Commitment Charges" is for financing interest and commitment charges 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 and commitment charges.

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 Goods, Works and Services, 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 (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Civil Works	25,715,707	100% of total expenditure claimed*
2	Medical Equipment, Supplies and Furniture	63,477,603	100% of total expenditure claimed*
3	Vehicles	2,656,642	100% of total expenditure claimed**
4	Consulting Services	3,459,774	100% of total expenditure claimed*
5	PHC Innovation Fund	1,400,000	100% of total expenditure claimed*
6	Project Management Costs	1,766,050	100% of total expenditure claimed*
7	Incremental Administration	1,135,723	100% of total expenditure claimed*
8	Interest and Commitment Charges	2,430,346	100% of amounts due
9	Unallocated (contingency)	7,958,155	
	<b>TOTAL</b>	<b>110,000,000</b>	

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

\*\* Inclusive of duties but exclusive of taxes imposed within the territory of the Borrower.

## SCHEDULE 4

### Execution of Project; Financial Matters

#### Implementation Arrangements

1. The Borrower shall ensure or cause the Project Executing Agency to 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 shall cause the Project Executing Agency to 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 through the Project Executing Agency shall ensure that no Works contract for a particular Subproject will be awarded until:

- (a) if required under the laws and regulations of the Borrower, the Central Environmental Authority of the Borrower has granted the final approval of the IEE for that Subproject; and
- (b) the Borrower through the Project Executing Agency has incorporated the relevant provisions from the relevant EMP into the Works contract.



SafeguardsEnvironment

4. The Borrower through the Project Executing Agency shall 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 Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the respective IEE, the relevant EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Involuntary Resettlement and Indigenous Peoples

5. The Borrower through the Project Executing Agency shall ensure that the Project does not have any indigenous peoples or involuntary resettlement impacts, 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

6. The Borrower shall make available or cause the Project Executing Agency to make available necessary budgetary and human resources to fully implement the respective EMP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Borrower through the Project Executing Agency shall 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 respective IEE and 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; 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 respective IEE or EMP.

Safeguards Monitoring and Reporting

8. The Borrower through the Project Executing Agency shall do the following:

- (a) submit Safeguards Monitoring Reports to ADB (i) on a semi-annual basis during the construction phase and (ii) on an annual basis during the operational phase until a project completion report is issued, 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 respective IEE or EMP, 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 the respective EMP promptly after becoming aware of the breach.

#### Prohibited List of Investments

9. The Borrower through the Project Executing Agency shall ensure that no proceeds of the Loan or Grant 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

10. The Borrower through the Project Executing Agency shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall 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; (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.

11. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 10 above and provide ADB with regular reports.

#### Gender and Development

12. The Borrower shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (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.

#### Counterpart Funds

13. The Borrower shall ensure:



- (a) sufficient counterpart funds from its budget for each fiscal year, in a timely manner, for the efficient implementation of the Project; and
- (b) adequate funds towards operations and maintenance of Project facilities, through budgetary allocations or other means, to be provided to the Project Executing Agency, during and after Project completion.

#### Financial Matters

14. The Borrower shall ensure or cause the Project Executing Agency to ensure that the agreed financial management action plan set out in the PAM is implemented within the stipulated time frame and the progress toward achieving the targets are monitored and reported to ADB.

#### Governance and Anticorruption

15. The Borrower, the Project Executing Agency and the implementing agencies 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, the Project Executing Agency and the implementing agencies 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.