
LOAN NUMBER 4109-NEP(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])
(Additional Financing for Electricity Grid Modernization Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 26 NOVEMBER 2021

NEP 54107

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 26 November 2021 between NEPAL ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 30 December 2020 between the Borrower and ADB ("Original Loan Agreement"), ADB provided a loan (Loan No. 4014-NEP) in the amount of one hundred fifty-six million Dollars (\$156,000,000) for the purposes of improving the coverage, reliability, efficiency and financial sustainability of electricity supply in Nepal as described in Schedule 1 to the Original Loan Agreement ("Original Project");

(B) the Borrower has applied to ADB for a loan for the purposes of financing additional activities to the Original Project ("Project", and together with the Original Project, the "Overall Project") as described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out by Nepal Electrical Authority ("NEA"), and for this purpose the Borrower will make available to NEA the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) 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 NEA.

NOW THEREFORE the parties hereto 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.

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;

- (b) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (c) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (d) "GAP" means the Gender Action Plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;
- (e) "GESI" means gender equality and social inclusion;
- (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) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (i) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (j) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (k) "MOEWRI" means the Ministry of Energy, Water Resources and Irrigation of the Borrower, or any successor thereto;
- (l) "MOF" means the Ministry of Finance of the Borrower, or any successor thereto;
- (m) "NEA" means the Nepal Electricity Authority established pursuant to the Nepal Electricity Authority Act, 1984, or any successor thereto acceptable to ADB;
- (n) "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;
- (o) "PAM" means the project administration manual for the Project dated 22 July 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;
- (p) "PMD" means the Project Management Directorate of NEA;

- (q) "Procurement Plan" means the procurement plan for the Project dated 22 July 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;
- (r) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (s) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (t) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations, means NEA, which is responsible for the carrying out of the Project;
- (u) "RIPP" means the resettlement and indigenous peoples plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (v) "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 and the RIPP (as applicable), including any corrective and preventative actions;
- (w) "Services" means Consulting Services and Nonconsulting Services;
- (x) "SPS" means ADB's Safeguard Policy Statement (2009);
- (y) "Subsidiary Financing Agreement" means the Subsidiary Financing Agreement between the Borrower and NEA referred to in Section 3.01 of this Loan Agreement; and
- (z) "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 sixty million dollars (\$60,000,000).

(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 April and 15 October in each year.

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

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 NEA under a Subsidiary Financing Agreement upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for relending the proceeds of the Loan shall include a repayment period of 32 years, including a grace period of 8 years, and interest at the rate of 1.0% per annum during the grace period and 1.5% thereafter.

(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 September 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 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 the Project Executing Agency 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 Financing 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 Financing Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

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 Borrower shall have failed to perform any of its obligations under the Subsidiary Financing Agreement; and
 - (b) NEA shall have failed to perform any of its obligations under the Subsidiary Financing 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: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Secretary or Joint Secretary of the International Economic Cooperation Coordination Division of MOF 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) 1-421-1720

For ADB

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

Facsimile Numbers:


(632) 8636-2444
(632) 8636-3240.

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 
MADHU KUMAR MARASINI
Secretary
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 
ARNAUD CAUCHOIS
Country Director
Nepal Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Overall Project is to improve the coverage, reliability, efficiency and financial sustainability of electricity supply in Nepal.
 2. The Project shall comprise:
 - (a) **Part 1: Electricity transmission capacity in Project areas strengthened and modernized.** This will include:
 - (i) the construction of 16 km of 132 kV transmission lines, comprising:
 - (A) 10 km of 132 kV transmission lines to be constructed between Nepalgunj and Kohalpur; and
 - (B) 6 km of 132 kV transmission lines to be constructed between Chovar and Lagankhel; and
 - (ii) the construction of 477 megavolt-ampere (MVA) of substation capacity through the construction of substations in each of Dumkibas, Lagankhel, Mulpani and Nepalgunj.
 - (b) **Part 2: Electricity distribution system in Project areas modernized.** This will include:
 - (i) the implementation of an enterprise resource planning system and a revenue management system; and
 - (ii) improvements to the integration of NEA's financial and customer information systems.
 3. The Project is expected to be completed by 31 March 2026.
-

SCHEDULE 2**Amortization Schedule**

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)*
15 October 2029	1,250,000
15 April 2030	1,250,000
15 October 2030	1,250,000
15 April 2031	1,250,000
15 October 2031	1,250,000
15 April 2032	1,250,000
15 October 2032	1,250,000
15 April 2033	1,250,000
15 October 2033	1,250,000
15 April 2034	1,250,000
15 October 2034	1,250,000
15 April 2035	1,250,000
15 October 2035	1,250,000
15 April 2036	1,250,000
15 October 2036	1,250,000
15 April 2037	1,250,000
15 October 2037	1,250,000
15 April 2038	1,250,000
15 October 2038	1,250,000
15 April 2039	1,250,000
15 October 2039	1,250,000
15 April 2040	1,250,000
15 October 2040	1,250,000
15 April 2041	1,250,000
15 October 2041	1,250,000
15 April 2042	1,250,000
15 October 2042	1,250,000
15 April 2043	1,250,000
15 October 2043	1,250,000
15 April 2044	1,250,000
15 October 2044	1,250,000
15 April 2045	1,250,000
15 October 2045	1,250,000
15 April 2046	1,250,000
15 October 2046	1,250,000
15 April 2047	1,250,000

15 October 2047	1,250,000
15 April 2048	1,250,000
15 October 2048	1,250,000
15 April 2049	1,250,000
15 October 2049	1,250,000
15 April 2050	1,250,000
15 October 2050	1,250,000
15 April 2051	1,250,000
15 October 2051	1,250,000
15 April 2052	1,250,000
15 October 2052	1,250,000
15 April 2053	1,250,000
Total	60,000,000

- * 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 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 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 Works, 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
1	Works	57,902,000	100% of total expenditure claimed*
2	Consulting Services	1,000,000	100% of total expenditure claimed*
3	Interest Charge	1,098,000	100% of amounts due
	TOTAL	60,000,000	

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

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

1. The Borrower and NEA 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 NEA 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 and NEA shall not award any Works or Nonconsulting Services contracts that involve environmental impacts until:
- (a) MOEWRI has granted the final approval of the IEE; and
 - (b) NEA has incorporated the relevant provisions from the EMP into the Works contract.
4. The Borrower and NEA shall not award any Works contract involving involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final RIPP for such Works contract based on the Project's detailed design, and obtained ADB's clearance of such RIPP.

5. The Borrower shall ensure that final authority regarding procurement of Goods, Works and Services under the Project resides with NEA's Managing Director in line with the Borrower's Public Procurement Act 2007.

Counterpart Support

6. The Borrower shall allocate, on an annual basis, adequate counterpart financing and staffing for the Project.

7. The Borrower shall exempt NEA from all taxes and duties on the Works and Goods contracts, except for the 1% customs duty on imported Goods for the Project as set out in the master list approved by MOEWRI.

8. The Borrower shall ensure that NEA has sufficient funds to satisfy its liabilities arising from any Works, Goods and Consulting Services contracts as well as for Enterprise Resource Planning and Revenue Management System operationalization and continuity.

Financial Management

9. The Borrower shall ensure, and cause NEA to ensure, that:

- (a) in close coordination with ADB, the Financial Management Action Plan set out in Part V of the PAM is implemented in accordance with its terms; and
- (b) NEA is able to manage its exposure to foreign exchange risk, including by way of currency forward or swap contracts or other means deemed reasonably appropriate by NEA.

Financial Covenants

10. The Borrower shall ensure, and cause NEA to ensure, that the following ratios are maintained: (a) by 15 July 2022, a debt service coverage ratio of at least 1.2; (b) by 15 July 2021, a debt-to-equity ratio of no more than 75:25; (c) by 15 July 2021, a current ratio of at least 1; and (d) by 15 July 2022, average accounts receivable days of not more than 120 and by 15 July 2023, not more than 90. For the purposes of this paragraph:

- (i) the term "debt service coverage ratio" means the ratio of cash flows from operations of NEA for each financial year to debt service requirements for the same period on all debt of NEA;
- (ii) the term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of NEA not allocated to cover specific liabilities;
- (iii) the term "debt" means any outstanding indebtedness of NEA, but excluding any amount due for payment within one year of that date at which this ratio is computed;
- (iv) the term "current ratio" means the ratio of NEA's current assets to its current liabilities as of its balance sheet date; and

- (v) the term "average accounts receivable days" means the average of accounts receivable of NEA at the beginning and end of each financial year, divided by the annual revenue of NEA for the financial year, and multiplied by 365 days.

Environment

11. The Borrower shall ensure, and cause NEA 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 and the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report or otherwise.

Land Acquisition and Involuntary Resettlement

12. The Borrower shall ensure, and cause NEA 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;
- (c) all measures and requirements set forth in the RIPP; and
- (d) any corrective or preventative actions set forth in a Safeguards Monitoring Report.

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

Indigenous Peoples

14. The Borrower shall ensure, and cause NEA 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

15. The Borrower shall make available, and cause NEA to make available, all necessary budgetary and human resources to fully implement the EMP and the RIPP and deal with such other safeguards-related issues as may arise from time to time. The Borrower shall cause NEA to establish an environment and social safeguards unit within PMD and ensure it has adequate staff, resources and facilities necessary for its operation.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

16. The Borrower shall ensure, and cause NEA 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, the EMP and the RIPP (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 as described in subparagraph (a) above;
- (c) provide NEA 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, the EMP or the RIPP;
- (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

17. The Borrower shall ensure, and cause NEA to ensure, that NEA:

- (a) submits semi-annual Safeguards Monitoring Reports to ADB and discloses relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks or impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP or the RIPP, promptly informs ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;

- (c) reports any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RIPP promptly after becoming aware of the breach; and
- (d) publicly discloses safeguards assessments including the IEE, the EMP, the RIPP and Safeguards Monitoring Reports on the NEA website and through other channels in a manner consistent with ADB's Access to Information Policy (2018).

Prohibited List of Investments

18. The Borrower shall ensure, and cause NEA 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

19. The Borrower shall ensure, and cause NEA 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 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 laws and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate against 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.

20. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 19 above and provide ADB with regular reports.

Gender and Development

21. The Borrower shall ensure, and cause NEA to ensure, that (a) the GAP is implemented in accordance with its terms in an effective and timely manner; (b) the bidding documents and contracts include relevant provisions for contractors comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) the Project monitoring system shall integrate GESI targets and indicators in a disaggregated form; and (e) data and information on progress on implementation of the GAP, including progress towards achieving key gender outcome and output targets, are collected regularly and reported to ADB semi-annually in accordance with the project performance and monitoring system developed for the Project.

Governance and Anticorruption

22. The Borrower and NEA 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.

23. The Borrower and NEA 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.

Change in Ownership

24. In the event that Borrower or NEA plans to: (a) make any change in the ownership of the Project facilities or NEA; (b) sell, transfer or assign NEA's direct or indirect interest in the Project; or (c) lease or contract out, or otherwise modify NEA's responsibilities for construction, operation and maintenance of the Project, the Borrower shall at least 6 months prior to implementation of such transaction, consult with ADB and obtain ADB's consent. The Borrower shall also ensure that such transaction is implemented in a transparent manner and in compliance with all applicable laws and regulations of the Borrower.