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LOAN NUMBER 4519-NEP(COL)

LOAN AGREEMENT  
(Ordinary Operations [Concessional])

(Irrigation Modernization Enhancement Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 20 DECEMBER 2024

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NEP 56218

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

LOAN AGREEMENT dated 20 December 2024 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 the Borrower's Ministry of Energy, Water Resources and Irrigation ("MOEWRI"), and implemented by MOEWRI's Department of Water Resources and Irrigation ("DWRI"), the Department of Agriculture ("DOA") of the Ministry of Agriculture and Livestock Development ("MOALD"), and the Project Provinces (as defined hereinafter) acting through their respective Implementing Agencies (as defined hereinafter), and for this purpose the Borrower will make available to MOEWRI, MOALD and the Project Provinces a portion of the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB;

(C) it is agreed that, by a loan agreement to be entered into between the Borrower and the Saudi Fund for Development ("SFD"), SFD will provide a loan ("SFD Loan") to the Borrower in the amount of thirty million Dollars (\$30,000,000), for the purposes of financing part of the expenditures of the Project, such SFD Loan to be partially administered by ADB in accordance with the terms and conditions of a cofinancing agreement between SFD and ADB ("SFD Cofinancing Agreement"); 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 to be signed between ADB, MOEWRI and the Project Provinces;

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 2022 ("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 to be signed between ADB, Project Executing Agency and the Project Provinces, 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 "each of the Project Executing Agency and the Project Provinces".

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) "CPMO" means the central project management office established by DWRI to manage Project implementation and coordination and as provided for in detail in the PAM;
- (c) "EARF" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (d) "EMP" means an environmental management plan for a Subproject, including any update thereto, incorporated in the IEE;
- (e) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (f) "FMIS" means a farmers managed irrigation system;
- (g) "GESI-AP" means the gender equality and social inclusion action plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;
- (h) "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;
- (i) "ha" means hectare;
- (j) "ICWM" means integrated crop water management;
- (k) "IEE" means an initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

- (l) "Implementing Agency" means each of, at federal level, DWRI and DOA, and at provincial level, (i) the Ministry of Agriculture and Livestock Development and the Ministry of Water Supply, Energy and Irrigation of Bagamati Province, (ii) the Ministry of Agriculture, Land Management and Cooperatives of Gandaki Province, (iii) the Ministry for Industry, Agriculture and Cooperative and the Ministry of Water Supply, Irrigation and Energy of Koshi Province, (iv) the Ministry of Agriculture, Land Management and Cooperatives of Lumbini Province, and (v) the Ministry for Land Management, Agriculture and Cooperative and the Ministry of Energy, Irrigation and Water Supply of Madhesh Province, or any successor of each of the foregoing acceptable to ADB, which are responsible for the implementation of the Project;
- (m) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (n) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (o) "IPP" means an indigenous peoples plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the IPPF and cleared by ADB;
- (p) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2022, as amended from time to time);
- (q) "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;
- (r) "O&M" means operation and maintenance;
- (s) "PAM" means the project administration manual for the Project dated 20 September 2024 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;
- (t) "PIU" means a project implementation unit established under each of the Implementing Agencies to manage Subproject implementation and as provided for in detail in the PAM;
- (u) "Procurement Plan" means the procurement plan for the Project dated 20 September 2024 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;
- (v) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);

- (w) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (x) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Borrower's MOEWRI, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (y) "Project facilities" means the facilities or assets to be constructed, rehabilitated, improved, upgraded or financed under the Project;
- (z) "Project Province" means the Bagamati Province, Gandaki Province, Koshi Province, Lumbini Province, and Madhesh Province of the Borrower, each acting through its respective Implementing Agencies;
- (aa) "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (bb) "RP" means a resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;
- (cc) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, the EMP, the RP and the IPP (as applicable), including any corrective and preventative actions;
- (dd) "Services" means Consulting Services and Nonconsulting Services; and
- (ee) "SPS" means ADB's Safeguard Policy Statement (2009);
- (ff) "Subproject" means any Works subproject under the Project that meets the subproject selection criteria described in the PAM to be carried out by the PIUs utilizing the proceeds of the Loan;
- (gg) "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;
- (hh) "WUA" means water users association; and
- (ii) "WUC" means water users cooperative.

## ARTICLE II

### The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of eighty-five million Dollars (\$85,000,000).

(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 1 February and 1 August 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. The Borrower shall make the relevant portion of the proceeds of the Loan available to each Implementing Agency upon terms and conditions satisfactory to ADB and shall cause each Implementing Agency to apply such proceeds 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. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2031 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.** (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 9 months after the end of each related fiscal year during the first 2 years of the Project implementation, and no later than 6 months after the end of each fiscal year thereafter, 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 4.04.** The Borrower shall take all actions which shall be necessary on its part to enable each of the Project Executing Agency and Project Provinces to perform their obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

## **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 SFD Cofinancing Agreement shall have been suspended, cancelled or terminated; and
- (b) the SFD Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

**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 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 (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

Secretary  
Ministry of Finance  
Singha Durbar  
Kathmandu, Nepal

Email: fso@mof.gov.np

For ADB

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

Facsimile Number:

(632) 8636-2444.

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.

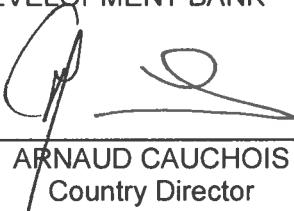
NEPAL

By

  
DHANI RAM SHARMA  
Joint Secretary  
International Economic Cooperation  
Coordination Division  
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 Project is to increase productivity and sustainability of farms in Project areas located in the Project Provinces.
2. The Project shall comprise:
  - (a) (i) modernizing irrigation infrastructure of approximately 100 FMIS covering a command area of 17,452 ha through permanent intakes/headworks, targeted canal lining, improved control structures and provision of cross drainage; (ii) improving Rajapur irrigation project covering 14,500 ha through construction of permanent gated intake structure, construction/rehabilitation of around 1.5 kilometers of flood protection embankment, 3 under sluice structures and other necessary infrastructures; (iii) constructing 12 hill lift irrigation schemes (1,354 ha); (iv) improving on-farm irrigation by upgrading minor canals and installing modern pipe and micro-irrigation in approximately 100 ha; and (v) piloting of groundwater irrigation in existing systems for conjunctive use;
  - (b) strengthening capacity of irrigation and agriculture agencies and farmer organizations by (i) updating procedural guidelines for ICWM and preparing training modules for agriculture extension workers; (ii) developing FMIS design and O&M guidelines, FMIS sector strategy and roadmap for long-term investment and management of FMIS sector; (iii) capacity development of technical staff of irrigation and agriculture agencies (including agriculture extension workers) and WUA and WUC members on FMIS management, O&M and ICWM; and (iv) supporting establishment of at least 20 WUCs; and
  - (c) introducing modern agriculture and value chain facilities through (i) demonstration activities and training to farmers in weather-sensitive, mechanized and climate-smart agriculture practices and agriculture value chains services; (ii) establishment of digital advisory services accessible by farmers, with information on weather, marketing, and seasonal crop planning; and (iii) subsidized financing scheme for selected WUAs and WUCs to avail of modern facilities, farming machinery and equipment.
3. The Project is expected to be completed by 31 December 2030.

## SCHEDULE 2

## Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollars)*
01 February 2033	1,770,833
01 August 2033	1,770,833
01 February 2034	1,770,833
01 August 2034	1,770,833
01 February 2035	1,770,833
01 August 2035	1,770,833
01 February 2036	1,770,833
01 August 2036	1,770,833
01 February 2037	1,770,833
01 August 2037	1,770,833
01 February 2038	1,770,833
01 August 2038	1,770,833
01 February 2039	1,770,833
01 August 2039	1,770,833
01 February 2040	1,770,833
01 August 2040	1,770,833
01 February 2041	1,770,833
01 August 2041	1,770,833
01 February 2042	1,770,833
01 August 2042	1,770,833
01 February 2043	1,770,833
01 August 2043	1,770,833
01 February 2044	1,770,833
01 August 2044	1,770,833
01 February 2045	1,770,833
01 August 2045	1,770,833
01 February 2046	1,770,833
01 August 2046	1,770,833
01 February 2047	1,770,833
01 August 2047	1,770,833
01 February 2048	1,770,833
01 August 2048	1,770,833
01 February 2049	1,770,833
01 August 2049	1,770,833

01 February 2050	1,770,833
01 August 2050	1,770,833
01 February 2051	1,770,833
01 August 2051	1,770,833
01 February 2052	1,770,833
01 August 2052	1,770,833
01 February 2053	1,770,833
01 August 2053	1,770,833
01 February 2054	1,770,833
01 August 2054	1,770,833
01 February 2055	1,770,833
01 August 2055	1,770,833
01 February 2056	1,770,833
01 August 2056	1,770,849
<b>Total</b>	<b>85,000,000</b>

\* 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.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Works – Hill and Terai FMIS	40,571,017	99.2% of total expenditure claimed*
2	Works – Rajapur (Stage 1) Contracts	10,146,566	100% of total expenditure claimed*
3	Mechanical and equipment	2,042,334	55.4% of total expenditure claimed*
4	Training and capacity building	4,083,245	78.8% of total expenditure claimed*
5	Agricultural facilities	3,309,813	83.4% of total expenditure claimed*
6	Consulting Services	3,412,981	100% of total expenditure claimed*
7	Recurrent costs	2,407,771	50% of total expenditure claimed*
8	Interest Charge	3,870,331	100% of amounts due
9	Unallocated	15,155,942	
	<b>TOTAL</b>	<b>85,000,000</b>	

\* Exclusive of taxes and duties 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 and each Implementing 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.
2. The Borrower shall ensure that a CPMO is established within DOWRI to provide overall oversight, supervision, monitoring and coordination of project implementation, including the review and monitoring of procurement, safeguards and financial management aspects of the Project. In addition, the Borrower shall ensure that the Project Executing Agency provides any staff and resources necessary for each Implementing Agency and PIU to perform their project implementation tasks in a timely and effective manner.
3. The Borrower shall cause each Implementing Agency to ensure that PIUs are established with adequate qualified staff, resources and facilities to undertake the necessary Project implementation tasks, including procurement, safeguards monitoring and reporting, and financial reporting. In addition, each Implementing Agency shall ensure that its PIUs furnish timely information and reports on the Project and the operation and maintenance of Project facilities, with such reports to be submitted in such form and detail and within such a period as the Project Executing Agency may reasonably require.
4. The Borrower and the Implementing Agencies shall provide full cooperation and assistance to the Project Executing Agency, PIUs and any other government agencies, departments and authorities, as may be necessary for the efficient implementation of the Project.
5. The Borrower shall make best efforts to ensure that the same qualified persons will continue to be assigned for a period of time of at least 2 years to key positions in the CPMO and PIUs including, without limitation, the Project director of the CPMO.

Procurement

6. The Borrower, the Project Executing Agency and each Implementing Agency shall ensure, or cause 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;

- (c) Goods, Works and Services may also be procured under the Project from non-member countries of ADB; and
- (d) (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.

7. The Borrower, the Project Executing Agency and each Implementing Agency shall not award any Works contract for a hill lift irrigation Subproject which involves environmental impacts until the Project Executing Agency has:

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

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

9. The Borrower shall not award any Works contract for a Subproject which involves impacts on indigenous peoples until the Borrower has prepared and submitted to ADB the final IPP and obtained ADB's clearance of such IPP.

### Safeguards

#### Environment

10. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project, each Subproject 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 EARP; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Land Acquisition and Involuntary Resettlement

11. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency to ensure, that all land and all rights-of-way required for the Project, each Subproject and all Project facilities 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) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

12. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency to ensure, that no physical or economic displacement takes place in connection with a Subproject until:

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

#### Indigenous Peoples

13. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency to ensure, that the preparation, design, construction, implementation and operation of the Project, each Subproject and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the respective IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

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

14. The Borrower shall make available, or cause the Project Executing Agency and each Implementing Agency to make available, necessary budgetary and human resources to fully implement the EMP, the RP and the IPP.

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

15. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency 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, the RP and the IPP (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 respective Implementing Agency 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, the RP or the IPP;

- (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

16. The Borrower shall do the following or shall cause the Project Executing Agency to do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the RP or the IPP, 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 EMP, the RP or the IPP promptly after becoming aware of the breach.

#### Prohibited List of Investments

17. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency 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

18. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency 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 the Project Executing Agency and each Implementing Agency 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; (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 areas, particularly women.

19. The Borrower shall strictly monitor, or cause the Project Executing Agency and each Implementing Agency to strictly monitor, compliance with the requirements set forth in

paragraph 18 above and provide ADB with regular reports.

#### Gender and Development

20. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency to ensure, that (a) the GESI-AP 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 GESI-AP; (c) adequate resources are allocated for implementation of the GESI-AP; and (d) progress on implementation of the GESI-AP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

#### Counterpart Support

21. The Borrower shall make available, or cause the Project Executing Agency and each Implementing Agency to make available, all counterpart funds required for the timely and effective implementation of the Project, including to mitigate unforeseen environmental and social impacts, and to meet additional costs arising from design changes, unexpected price variation in construction costs and/or other unforeseen circumstances.

22. In addition to the foregoing, the Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency to ensure, that the Implementing Agencies and the PIUs have sufficient funds to satisfy their liabilities arising from any Works, Goods or Services contract, including through providing adequate and timely conditional grants and allocating sufficient counterpart funds in budgetary allocations for each fiscal year, to finance any funding shortfall and ensure that the Project is fully implemented.

23. The Borrower shall ensure that all its ministries, agencies and departments, including provincial and local level authorities, involved in the implementation of the Project, provide full cooperation and assistance to support the timely and efficient implementation of the Project. Specifically, the Borrower shall cause such ministries, agencies, departments and authorities to give full, timely and efficient cooperation in issuing any licenses, permits or approvals required in connection with Project activities.

#### Operation and Maintenance

24. The Borrower shall maintain, or cause the Project Executing Agency and each Implementing Agency to maintain, the Project facilities in accordance with best practice standards acceptable to ADB, and ensure that the Implementing Agencies at all times have sufficient financing for the O&M costs of the Project facilities owned or operated by them.

25. The Borrower shall make available, or cause the Project Executing Agency and each Implementing Agency to make available, adequate funds for the ongoing O&M of Project facilities in a timely manner through budgetary allocations or other means of financial support, including after Project completion.

26. In addition to the foregoing, the Borrower shall ensure that the Implementing Agencies have adequate staff and resources for proper O&M of the Project facilities, including after Project completion.

Financial Management

27. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency to ensure, that the agreed financial management action plan set out in the PAM is implemented within the stipulated time frames and the progress toward achieving the target activities is monitored and reported regularly to ADB.

Subprojects

28. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency to ensure, that Subprojects are selected in accordance with the agreed selection criteria described in the PAM and are implemented in a manner satisfactory to ADB.

29. The Borrower shall ensure, or cause the Project Executing Agency and each Implementing Agency to ensure, that there will be complementarity and no overlap of activities between Subprojects and projects funded by other development partners.

Governance and Anticorruption

30. 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.

31. 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.