
LOAN NUMBER 3214-PAK (SF)

LOAN AGREEMENT
(Special Operations)

(Public Sector Enterprise Reforms Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 27 JANUARY 2015

PAK 48031

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 27 January 2015 between ISLAMIC REPUBLIC OF PAKISTAN (“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 Finance Division of the Ministry of Finance, Revenue, Economic Affairs, Statistics, and Privatization (“Finance Division”) as Project Executing Agency and the Ministry of Petroleum and Natural Resources, the Ministry of Water and Power, the Privatisation Commission of Pakistan (“Privatisation Commission”) and the Securities Exchange Commission of Pakistan as the implementing agencies, and for this purpose the Borrower will make available to the Privatisation Commission and (through the Finance Division) the other implementing agencies the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

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

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (“Loan Regulations”), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(25) is deleted and the following is substituted therefor:

“Project Agreement” means the Project Agreement of even date herewith between ADB and the Privatisation Commission.

(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 “the Privatisation Commission”.

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) “APRs” means the Privatisation Commission, Form and Manner of Budget Accounts (Accounting Procedure) Rules 2007 published with the Gazette Notification dated April 3 2008, as amended from time to time;

(b) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(c) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 2 of Schedule 1 to this Loan Agreement;

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

(e) “Implementing Agencies” mean MOWP, MPNR, the Privatisation Commission and the SECP, and any other implementing agency as ADB and the Borrower may agree from time to time;

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

(g) “MOF” means Ministry of Finance, Revenue, Economic Affairs, Statistics, and Privatization of the Borrower, or any successor thereto;

(h) “MOWP” means Ministry of Water and Power of the Borrower, or any successor thereto;

(i) “MPNR” means Ministry of Petroleum and Natural Resources of the Borrower, or any successor thereto;

(j) “Output” means each of Output 1, 2, 3 and 4 of the Project as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(k) “PAM” means the project administration manual for the Project dated 28 October 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(l) “PC-I” means a completed application using the PC-I form of the Planning Commission of the Borrower in respect of the Project;

(m) “Privatisation Commission” means the Privatisation Commission of the Borrower established in 1991 and converted to a corporate body pursuant to the Privatisation Commission Ordinance 2000;

(n) “Privatisation Program” means the privatisation program of the Borrower as approved by the Cabinet Committee on Privatisation on 3 October 2013,

covering 32 PSEs for early privatization, and as amended from time to time provided that such amendments are acceptable to ADB;

(o) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);

(p) “Procurement Plan” means the procurement plan for the Project dated 28 October 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(q) “Project Executing Agency” means the Finance Division of the MOF, or any successor thereto;

(r) “PSE” means public sector enterprise;

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

(t) “SECP” means Securities and Exchange Commission of Pakistan established pursuant to the Securities and Exchange Commission of Pakistan Act 1997 of the Borrower; and

(u) “Sustainable Energy Sector Reforms Program” means the Borrower’s program, financed by an ADB policy-based loan (Loan No. 3126-PAK(SF)), which principal objective is to improve the reliability, sustainability and affordability of the Borrower’s energy sector to support the economic growth of the Borrower.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB’s Special Funds resources an amount in various currencies equivalent to thirteen million four hundred fifty nine thousand Special Drawing Rights (SDR13,459,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term “grace period” as used in subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 April and 1 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.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make a portion of the proceeds of the Loan in the amount of SDR6,355,000 (or such other amount as ADB may otherwise agree) available to the Privatisation Commission upon terms and conditions satisfactory to ADB and shall cause the Privatisation Commission to apply such proceeds to the financing of expenditures on Outputs 1 and 2(i) of the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The Borrower shall make a portion of the proceeds of the Loan in the amount of SDR7,104,000 (or such other amount as ADB may otherwise agree) available to the Finance Division upon terms and conditions satisfactory to ADB and shall cause the Finance Division to apply such proceeds to the financing of expenditures on Outputs 2(ii) to (iv), 3 and 4 of the Project in accordance with the provisions of this Loan Agreement.

Section 3.03. 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 3.04. 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 3.05. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.06. Withdrawals from the Loan Account in respect of Goods and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and

- (b) Goods and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.07. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, 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 accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable the Privatisation Commission 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.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Central Development Working Party and the Executive Committee of National Economic Council of the Borrower shall have approved a PC-I for the Project.

Section 5.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI

Delegation of Authority

Section 6.01. The Borrower hereby designates the Finance Division as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.03, 3.04 and 3.06 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by the Finance Division pursuant to the authority conferred under Section 6.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 6.03. The authority conferred on the Finance Division under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VII

Miscellaneous

Section 7.01. The Secretary, Economic Affairs Division, Ministry of Finance, Revenue, Economic Affairs, Statistics, and Privatization of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

The Secretary
Economic Affairs Division
Ministry of Finance, Revenue, Economic Affairs,
Statistics and Privatization
Government of Pakistan
Q-Block, Pak Secretariat, Islamabad
Islamic Republic of Pakistan

Facsimile Numbers:

(92-51) 920-4086
(92-51) 920-2019.

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2424.

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.

ISLAMIC REPUBLIC OF PAKISTAN

By 

MUHAMMAD SALEEM SETHI

Secretary

Economic Affairs Division,
Ministry of Finance, Revenue, Economic
Affairs, Statistics, and Privatization

ASIAN DEVELOPMENT BANK

By 

WERNER E. LIEPACH

Country Director

Pakistan Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is reduced fiscal and economic costs associated with PSEs in Pakistan.
2. The Project shall comprise:
 - (a) **Output 1:** strengthening the Privatisation Program through:
 - (i) developing a privatization strategy for 2015-2019, including institutional strengthening of the Privatisation Commission and enhancing the guidelines for the implementation of the Privatisation Program and for the structuring and execution of individual privatization transactions;
 - (ii) strengthening the technical capacity of the Privatisation Commission to manage privatization transactions and monitor transaction advisory services;
 - (iii) supporting the design and implementation of a communications plan to improve transparency and foster public understanding and acceptance of the planned PSE reforms; and
 - (iv) supporting the design and implementation of a mitigation framework for labor-related issues that may arise from implementation of the Borrower's Privatisation Program;
 - (b) **Output 2:** improving corporate governance, structure and management of selected PSEs through:
 - (i) providing pre-transaction business management, legal, technical and financial consulting services to support and monitor restructuring of selected PSEs covered in the Privatisation Program;
 - (ii) providing pre-transaction business management, legal, technical and financial consulting services to support and monitor corporate restructuring of selected PSEs not covered in the Privatisation Program;
 - (iii) developing the capacity of the Finance Division to effectively monitor and manage the Borrower's PSE portfolio including assessing fiscal liabilities, tracking potential PSE issues, overseeing the restructuring of selected PSEs and strengthening corporate governance of PSEs; and
 - (iv) capacity development of the SECP in relation to enforcement of PSEs' compliance with the new corporate governance rules

and guidelines, including the Public Sector Companies (Corporate Governance) Rules, 2013;

- (c) **Output 3:** enhancing governance and regulatory regimes of selected sectors currently dominated by PSEs through:
 - (i) establishing monitoring units for the Sustainable Energy Sector Reforms Program in MOWP and MPNR to support their preparation of quarterly reform monitoring reports to the Economic Coordination Committee of the Cabinet of the Borrower and ADB;
 - (ii) conducting sector efficiency assessments and preparation of sector restructuring roadmaps for selected sectors; and
 - (iii) conducting competition assessments in sectors with high market concentration that are impacted by privatization and restructuring of PSEs;and
- (d) **Output 4:** project management support including planning, procurement, Project implementation and financial management.

3. The Project is expected to be completed by 31 December 2019.

SCHEDULE 2**Amortization Schedule****(Public Sector Enterprise Reforms Project)**

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Special Drawing Rights)*</u>
1 April 2020	336,475
1 October 2020	336,475
1 April 2021	336,475
1 October 2021	336,475
1 April 2022	336,475
1 October 2022	336,475
1 April 2023	336,475
1 October 2023	336,475
1 April 2024	336,475
1 October 2024	336,475
1 April 2025	336,475
1 October 2025	336,475
1 April 2026	336,475
1 October 2026	336,475
1 April 2027	336,475
1 October 2027	336,475
1 April 2028	336,475
1 October 2028	336,475
1 April 2029	336,475
1 October 2029	336,475
1 April 2030	336,475
1 October 2030	336,475
1 April 2031	336,475
1 October 2031	336,475
1 April 2032	336,475
1 October 2032	336,475
1 April 2033	336,475
1 October 2033	336,475
1 April 2034	336,475
1 October 2034	336,475
1 April 2035	336,475
1 October 2035	336,475
1 April 2036	336,475
1 October 2036	336,475
1 April 2037	336,475
1 October 2037	336,475
1 April 2038	336,475
1 October 2038	336,475
1 April 2039	336,475

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Special Drawing Rights)*</u>
1 October 2039	336,475
TOTAL	13,459,000

* 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 disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. 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, by notice to 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, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of 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 the Consulting Services to be provided by (a) one project manager, one procurement specialist and one project accountant for the Project management unit; (b) two transaction managers and one communications firm to be engaged by the Privatisation Commission, (c) one consulting firm to be engaged by MOF for assisting the Sustainable Energy Sector Reforms Program under Output 3(i), and (d) one or more consulting firms to be engaged by MOF or the Privatisation Commission for corporate restructuring and privatization, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Public Sector Enterprise Reforms Project)				
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Consulting Services	11,346,000		
1A	Outputs 1 and 2(i) (Privatisation Commission)		6,355,000	100% of total expenditure claimed*
1B	Outputs 2(ii) to (iv), 3 and 4 (Finance Division)		4,991,000	100% of total expenditure claimed*
2	Goods	471,000		100% of total expenditure claimed*
3	Project Management – Incremental Project Management Unit Staff	579,000		100% of total expenditure claimed*
4	Unallocated	1,063,000		
	Total	13,459,000		

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

SCHEDULE 4

Procurement of Goods and Consulting Services

General

1. The procurement of Goods and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods

3. Except as ADB may otherwise agree, Goods shall only be procured on the basis of National Competitive Bidding and Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Consulting Services

6. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.
7. Except as ADB may otherwise agree, the Borrower shall recruit the individual consultants for the following positions in accordance with procedures acceptable to ADB for recruiting individual consultants:
 - (a) privatization transaction managers and labor relations expert under Output 1;
 - (b) PSE reforms experts and corporate governance experts under Output 2;
 - (c) sector competition experts under Output 3; and
 - (d) Project manager, procurement specialist and Project accountant under Output 4.

Industrial or Intellectual Property Rights

8. (a) The Borrower shall ensure that all Goods procured do not violate or infringe any industrial property or intellectual property right or claim of any third party.
- (b) The Borrower shall ensure that all contracts for the procurement of Goods contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.
9. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

10. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.
11. In the case of a contract for Goods which is subject to ADB's prior review, the Borrower shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:
- (a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Loan Closing Date; and
- (b) increases in aggregate of the original price by more than 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).
12. In the case of a contract for Goods, which is subject to ADB's post review, ADB shall review the required contract modification or waiver and respond to the Borrower as soon as practicable, but not later than 1 month after the receipt of the required document.
13. The Borrower shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including change orders) within 1 month following amendment of the contract.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. The Borrower shall ensure that ADB will be promptly informed of any proposed reforms relevant to PSEs, any proposed change in the functions or organizational structure of any of the Project Executing Agency and the Implementing Agencies that has an impact on the implementation of the Project and any proposed change to the Privatisation Program.
3. The Borrower shall ensure, and shall cause the Finance Division and the Privatization Commission to ensure, adequate coordination in relation to the Privatisation Program.
4. The Borrower shall cause the Privatisation Commission to promptly review the mitigation framework for labor related issues prepared under Output 1 and submit it for approval by the relevant authorities by 31 December 2015 or such later date as ADB may otherwise agree.

Counterpart Support

5. The Borrower shall ensure, and cause the Finance Division and the Privatisation Commission to ensure, that financing for local taxes and duties, counterpart personnel and office space are made available, promptly as and when needed, for the carrying out of the Project.

Financial management

6. The Borrower shall cause the Privatisation Commission to, within 30 months from the Effective Date, (a) prepare and implement a financial management manual in line with the APRs, (b) update APRs to incorporate requirements on internal financial controls, (c) establish an audit committee at the board level, and (d) implement payroll and cash management accounting modules.
7. The Borrower shall cause the Privatisation Commission to: (a) ensure submission of the annual budget for approval of its Board before submission to the government and (b) develop a roles matrix in the accounting system of the Privatisation Commission with definition of users' rights.

Environment, Involuntary Resettlement and Indigenous Peoples

8. The Borrower shall ensure that the Project does not have any environmental, 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.

Prohibited List of Investments

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

Participation

10. The Borrower shall ensure, and cause the Privatisation Commission to ensure, that in the preparation of the communications plan and the mitigation framework for labor-related issues under Output 1, adequate consultation with key stakeholders including civil society and the labor unions and associations representing the employees of the relevant PSEs will be conducted and recorded accordingly.

Gender

11. The Borrower shall ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women consistent with ADB's Policy on Gender and Development (1998) are followed during implementation of the Project, including (a) equal pay to men and women for work of equal value; and (b) ensuring that the Project activities including the communication plan and the mitigation framework for labor-related issues are gender sensitive.

Governance and Corruption

12. The Borrower shall, and shall cause the Project Executing Agency and the Implementing Agencies to, (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.

13. The Borrower shall ensure, and shall cause the Project Executing Agency and the Implementing Agencies to ensure, that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts for the Project, 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.