
LOAN NUMBER 4434-INO

LOAN AGREEMENT
(Ordinary Operations)
(Citywide Inclusive Sanitation Project)

between

REPUBLIC OF INDONESIA

and

ASIAN DEVELOPMENT BANK

DATED 15 FEBRUARY 2024

INO 54428

LOAN AGREEMENT
(Ordinary Operations)

LOAN AGREEMENT dated 15 February 2024 between REPUBLIC OF INDONESIA ("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; and

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

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 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.

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) "DDR" means each due diligence report for the Project, including any update thereto, prepared and submitted by the Project Executing Agency and cleared by ADB;
- (c) "EMP" means each environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (d) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (e) "Environmental Safeguards Monitoring Report" means each report prepared and submitted by the Project Executing Agency to ADB that describes progress with implementation of and compliance with each EMP, including any corrective and preventative actions;

- (f) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed between the Project Executing Agency and ADB;
- (g) "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;
- (h) "IEE" means each initial environmental examination for the Project, including any update thereto, prepared and submitted by the Project Executing Agency and cleared by ADB;
- (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 (2022, as amended from time to time);
- (k) "Local Government" means each of Pontianak City Government, Semarang City Government, and Mataram City Government;
- (l) "MPWH" means the Ministry of Public Works and Housing of the Borrower, or any successor thereto;
- (m) "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;
- (n) "PAM" means the project administration manual for the Project dated 1 December 2023 and agreed between the Project Executing Agency and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;
- (o) "Procurement Plan" means the procurement plan for the Project dated 1 December 2023 and agreed between the Project Executing Agency and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (p) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (q) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (r) "Project City" means each of Mataram, Pontianak, and Semarang;

- (s) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Directorate General of Human Settlements of the MPWH, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (t) "Project facilities" means the facilities to be improved, constructed or provided under the Project;
- (u) "RP" means each resettlement plan for the Project, including any update thereto, prepared and submitted by the Project Executing Agency and cleared by ADB;
- (v) "Safeguards Monitoring Report" means each Social Safeguards Monitoring Report and Environmental Safeguards Monitoring Report;
- (w) "Services" means Consulting Services and Nonconsulting Services;
- (x) "Social Safeguards Monitoring Report" means each report prepared and submitted by the Project Executing Agency to ADB that describes progress with implementation of and compliance with each RP and the DDR (as applicable), including any corrective and preventative actions;
- (y) "SPS" means ADB's Safeguard Policy Statement (2009);
- (z) "Wastewater Facilities" means the wastewater treatment plants with co-treatment of fecal sludge and sewer networks;
- (aa) "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; and
- (bb) "Yen" or "JPY" each means the lawful currency of Japan.

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-one billion eight hundred eighty-two million six hundred eight thousand Yen (JPY61,882,608,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 10.5 years, and a grace period as defined in subsection (c) hereinafter.

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

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

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

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

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

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

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

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

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

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of 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 9.02 of the Loan Regulations shall be 30 June 2030 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.

Section 4.02. (a) The Borrower through the Project Executing Agency shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

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

(c) The Borrower through the Project Executing Agency shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's or the

Project Executing Agency'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 or the Project Executing Agency (as the case may be), unless the Borrower or the Project Executing Agency shall otherwise agree.

Section 4.03. The Borrower through the Project Executing Agency shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

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

For the Borrower

Ministry of Finance
Directorate General of Budget Financing and Risk Management
Frans Seda Building
Jln. Dr. Wahiddin Raya No. 1
Jakarta 10710, Indonesia

For correspondence:

Attn: Directorate of Loans and Grants
Facsimile Number: (61 21) 381-2859
Email: direktoratPH@kemenkeu.go.id

For disbursement and payments:

Attn: Directorate of Evaluation, Accounting and Settlement
Facsimile Number: (61 21) 384-3712
Email: deas@kemenkeu.go.id

For ADB

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

Facsimile Numbers:

(632) 8636-2444.

By  _____
JIRO TOMINAGA
Country Director
Indonesia Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is access to inclusive, climate resilient, adequate and safely managed sanitation services in Project Cities improved.
2. The Project shall comprise:
 - (a) **Component 1. Sanitation services improved, expanded and made climate resilient.** This component will (i) finance the construction of four new climate resilient wastewater treatment plants with co-treatment of fecal sludge and approximately 200 kilometers of sewer networks; (ii) develop a roadmap for upgrading fecal sludge management systems; and (iii) strengthen city-level information and disaster management systems that can be integrated to the newly constructed sanitation facilities.
 - (b) **Component 2. Regulatory environment strengthened.** This component will support improvement in the regulatory environment through (i) preparation of climate resilient and gender and social inclusion (GESI) responsive sanitation operation and maintenance ("O&M") guidelines; (ii) enhancement of financial sustainability by introducing wastewater tariffs and other measures (e.g., transfers or taxes) for 100% O&M cost recovery; and (iii) preparation of guidelines for integration of the sewerred and non-sewerred systems which also includes stakeholder mapping to enable public private partnership ("PPP") environment involving the private sector entities.
 - (c) **Component 3. Institutional effectiveness improved.** This component will improve service delivery of the sanitation services (wastewater) operators, including Perusahaan Daerah Air Minum (PDAM) in Pontianak and Semarang, Unit Pengelola Teknis Daerah (UPTD) in Mataram, in managing and integrating new wastewater systems with the existing non-sewerred systems through institutional strengthening and capacity building and community awareness.
3. The Project is expected to be completed by 31 December 2029.

SCHEDULE 2

Amortization Schedule

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

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 January 2032	4.761905
15 July 2032	4.761905
15 January 2033	4.761905
15 July 2033	4.761905
15 January 2034	4.761905
15 July 2034	4.761905
15 January 2035	4.761905
15 July 2035	4.761905
15 January 2036	4.761905
15 July 2036	4.761905
15 January 2037	4.761905
15 July 2037	4.761905
15 January 2038	4.761905
15 July 2038	4.761905
15 January 2039	4.761905
15 July 2039	4.761905
15 January 2040	4.761905
15 July 2040	4.761905
15 January 2041	4.761905
15 July 2041	4.761905
15 January 2042	4.761900
Total	100.000000

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

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and

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

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

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

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

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

1. The table attached to this Schedule sets forth the Categories of items of 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.

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, 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

4. 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 (JPY)	Basis for Withdrawal from the Loan Account
		Category	
1	Works	57,704,430,000	100% of total expenditure claimed*
2	Consulting Services	4,178,178,000	100% of total expenditure claimed*
	TOTAL	61,882,608,000	

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

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

1. The Borrower, through the Project Executing Agency, 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, through the Project Executing Agency 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, through the Project Executing Agency, 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, through the Project Executing Agency, shall not award any Works or Nonconsulting Services contract which involves environmental impacts until:
- (a) the final approval of the IEEs and the EMPs and any other requisite environmental, health and safety permits have been granted by the appropriate authorized ministry or agency of the Borrower in accordance with the laws and regulations of the Borrower; and the Borrower, through the Project Executing Agency, has obtained ADB's clearance of the IEEs and EMPs based on the final design; and
 - (b) the relevant provisions from the applicable EMP have been incorporated into the Works or Nonconsulting Services contract.

4. The Borrower, through the Project Executing Agency, may award a Works or Nonconsulting Services contract involving environmental impacts with IEEs based on preliminary design having been submitted to and cleared by ADB if the contract:

- (a) is of a "design and build" or "turnkey" type under which the design must be completed for the Works or Nonconsulting Services contract before the applicable IEE is updated to reflect the final project design; and
- (b) expressly provides that no works shall commence until the applicable IEE for the Works or Nonconsulting Services contract reflecting the final project design having been submitted to, and cleared by ADB.

5. Subject to paragraph 6 below, the Borrower, through the Project Executing Agency, shall not award any Works or Nonconsulting Services contract involving involuntary resettlement impacts until the Borrower, through the Project Executing Agency has prepared and submitted to ADB the final RPs and DDR for such Works or Nonconsulting Services contract based on the Project's detailed design and obtained ADB's clearance of such RPs and DDR.

6. The Borrower, through the Project Executing Agency may award a Works or Nonconsulting Services contract involving involuntary resettlement impacts prior to the final RPs and DDR having been submitted to and cleared by ADB if the contract:

- (a) is of a "design and build" or "turnkey" type under which the design must be completed for the Works or Nonconsulting Services contract before the relevant RP and the DDR are finalized; and
- (b) expressly provides that the installation and construction phase (and commencement thereof) is conditional upon: (i) the final RPs for the Works or Nonconsulting Services contract based on the Works or Nonconsulting Services contract's detailed design having been submitted to, and cleared by ADB; and (ii) the Borrower, through the Project Executing Agency, having notified ADB and the contractor in writing through the relevant RP completion report that due consultation has been carried out, all required physical and/or economic displacement has been completed, compensation and other entitlements have been provided to affected people in accordance with the relevant RP.

Safeguards

Environment

7. The Borrower, through the Project Executing Agency, shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEEs, the EMPs, and any corrective or preventative actions set forth in the relevant Environmental Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

8. The Borrower, through the Project Executing Agency, shall 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; and (c) all measures and requirements set forth in the RPs and DDR, and any corrective or preventative actions set forth in the relevant Social Safeguards Monitoring Report.

9. Without limiting the application of the Involuntary Resettlement Safeguards or the RPs and the DDR, the Borrower through the Project Executing Agency shall 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 RPs; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RPs.

10. Further to the paragraph above, the Borrower, through the Project Executing Agency shall ensure, where required, that the proceeds of the Loan are utilized to finance compensation and other entitlements related to physical or economic displacement in accordance with the relevant RP.

Human and Financial Resources to Implement Safeguards Requirements

11. The Borrower through the Project Executing Agency shall make available necessary budgetary and human resources to fully implement the EMPs, the RPs and the DDR.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

12. The Borrower, through the Project Executing Agency, shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEEs, the EMPs, the RPs and the DDR (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in the relevant Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEEs, the EMPs, the RPs and the DDR;

- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

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

- (a) from the date of effectiveness of this Loan Agreement until Project completion, submit semiannual 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 IEEs, the EMPs, the RPs and the DDR, 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 EMPs, the RPs or the DDR promptly after becoming aware of the breach.

Prohibited List of Investments

14. The Borrower, through the Project Executing Agency 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.

Grievance Redress Mechanism

15. The Borrower, through the Project Executing Agency shall ensure that a project-specific grievance redress mechanism is in place and functional to assist the affected persons resolve queries and complaints related to safeguards concerns, if any, in a timely manner.

Labor Standards, Health and Safety

16. The Borrower, through the Project Executing Agency, shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower, through the Project Executing Agency, shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the

employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

17. The Borrower, through the Project Executing Agency, shall strictly monitor compliance with the requirements set forth in paragraph 16 above and provide ADB with regular reports.

Gender and Development

18. The Borrower, through the Project Executing Agency, shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Counterpart Support

19. The Borrower through the Project Executing Agency shall ensure that the government's financial contributions necessary for the Project are provided on a timely basis, including to cover any funding shortfalls that may occur. In addition to the foregoing, the Borrower shall ensure that the Project Executing Agency has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract.

Transfer of Wastewater Facilities

20. Upon the completion of the construction of the Wastewater Facilities in the relevant Project City, the Borrower, through the Project Executing Agency, shall within 1 year from such completion of construction, complete the transfer of asset handover of the Wastewater Facilities to the relevant Local Governments.

Sanitation Services (Wastewater) Operators and O&M

21. The Borrower, through the Project Executing Agency, shall ensure that each Local Government of each Project City appoints sanitation services (wastewater) operators (each an "Operator") to each Wastewater Facility, not later than 12 months prior to Project completion.

22. The Borrower, through the Project Executing Agency, shall ensure that each Local Government allocates appropriate budgetary and human resources for the continued operation and maintenance of the Wastewater Facilities once they have become operational.

Governance and Anticorruption

23. 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.

24. The Borrower through the Project Executing Agency 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.