
LOAN NUMBER 3135-BAN(SF)

LOAN AGREEMENT
(Special Operations)

(Irrigation Management Improvement Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 14 AUGUST 2014

BAN 45207

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 14 August 2014 between PEOPLE'S REPUBLIC OF BANGLADESH ("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 Bangladesh Water Development Board ("BWDB"), and for this purpose the Borrower will make available to BWDB 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 BWDB;

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.

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) "BWDB" means the Bangladesh Water Development Board or any legal successor thereto acceptable to ADB;

(b) "Construction-phase IMO" means the irrigation management operator (to be) engaged for the activities described in paragraph 2.A.(i) of Schedule 1 to this Loan Agreement;

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

(d) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(e) “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

(f) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(g) “GAP” means the gender action plan for the Project, developed by the Borrower and approved by ADB;

(h) “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;

(i) “ICC” means the implementation coordination committee established by the PMU, with the support of the PMDC, for the Project;

(j) “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(l) “Management-phase IMO” means the irrigation management operator that may be engaged or is engaged for MOM activities upon expiry of the management contract of the Construction-phase IMO;

(m) “MIP” means the Muhuri irrigation project, an existing irrigation scheme situated in the Chittagong division in the territory of the Borrower;

(n) “MOM” means management, operation and maintenance;

(o) “MW” means megawatt;

(p) “PAM” means the project administration manual for the Project dated 11 May 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;

(q) “PIU” means the project implementation unit established at the MIP site for purposes of the Project;

(r) “PMDC” means the project management and design consultant engaged for the purposes of the Project;

(s) “PMU” means the project management unit established by BWDB for the purposes of the Project;

(t) “PPP” means public-private partnership;

(u) "Procurement Guidelines" means ADB's Procurement Guidelines (2013, as amended from time to time);

(v) "Procurement Plan" means the procurement plan for the Project dated 11 May 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;

(w) "REB" means the Borrower's Rural Electrification Board or any legal successor thereto acceptable to ADB;

(x) "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted the Borrower and cleared by ADB;

(y) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with the EMP and RF (as applicable), including any corrective and preventative actions;

(z) "SPS" means ADB's Safeguard Policy Statement (2009); and

(aa) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

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 twenty nine million five hundred and fifty one thousand Special Drawing Rights (SDR29,551,000).

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 15 June and 15 December 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 the proceeds of the Loan available to BWDB upon terms and conditions satisfactory to ADB and shall cause BWDB to apply such proceeds 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. 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 3.05. Withdrawals from the Loan Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works 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, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 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 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.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

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

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event 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: the Bangladesh Water Development Board Act, 2000 shall have been repealed, suspended or amended in any manner which, in the reasonable opinion of ADB, may adversely affect the carrying out of the Project or the operation of the Project facilities.

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: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

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

ARTICLE VII**Delegation of Authority**

Section 7.01. The Borrower hereby designates BWDB as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by BWDB pursuant to the authority conferred under Section 7.01 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 7.03. The authority conferred on BWDB under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VIII**Miscellaneous**

Section 8.01. The Senior Secretary or Secretary or any Additional Secretary, Joint Secretary or Joint Chief, Deputy Secretary or Deputy Chief, Senior Assistant Secretary or Senior Assistant Chief, Assistant Secretary or Assistant Chief of the Economic Relations Division of the Borrower's Ministry of Finance is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-e-Bangla Nagar
Dhaka 1207, Bangladesh

Facsimile Number:

+880 2 918-0788.

For ADB

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

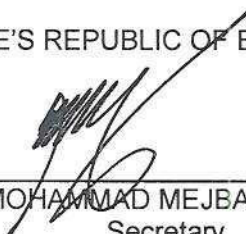
Facsimile Numbers:

+632 636-2444
+632 636-2391.

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.

PEOPLE'S REPUBLIC OF BANGLADESH

By



MOHAMMAD MEJBAHUDDIN
Secretary
Economic Relations Division

ASIAN DEVELOPMENT BANK

By



KAZUHIKO HIGUCHI
Country Director
Bangladesh Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to increase the productivity and sustainability of the MIP.
2. The Project shall comprise:
 - A. Establishment of performance-based irrigation management and agriculture support services.** This shall include: (i) engaging a Construction-phase IMO under a 5-year performance-based management contract, to supervise the activities described in paragraph 2.B. of this Schedule, to provide agricultural support services, to establish management and cost-recovery systems to maximize water use efficiencies, and to develop sustainable and reliable irrigation service delivery; and (ii) engaging a Management-phase IMO under a 15-year MOM contract with a PPP modality.
 - B. Rehabilitation and modernization of irrigation infrastructure.** This shall include: (i) repairing about 460 kilometers of canals and about 23 kilometers of coastal embankments with ancillary facilities; (ii) providing piped irrigation water distribution systems for about 17,000 hectares; (iii) providing prepaid volumetric metering systems; (iv) full electrification of pumping system; and (v) piloting solar pumping for about 60 hectares of irrigated area.
 - C. Efficient project management and effective institutional development.** This shall include: (i) support for the establishment and activities of the PMU; (ii) preparing detailed designs of remaining works for the Muhuri irrigation project; (iii) appraising the rehabilitation and modernization of the Ganges-Kobadak irrigation project and Teesta barrage project, including the provision of feasibility studies and detailed designs and strategies to transfer each project's MOM to the private sector; and (iv) institutional support and capacity and awareness building of BWDB and water management organizations for the administration of PPP contracts.
3. The Project will include Consulting Services for the above components.
4. The Project is expected to be completed by 30 June 2019.

SCHEDULE 2**Amortization Schedule****(Irrigation Management Improvement Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 December 2019	738,775
15 June 2020	738,775
15 December 2020	738,775
15 June 2021	738,775
15 December 2021	738,775
15 June 2022	738,775
15 December 2022	738,775
15 June 2023	738,775
15 December 2023	738,775
15 June 2024	738,775
15 December 2024	738,775
15 June 2025	738,775
15 December 2025	738,775
15 June 2026	738,775
15 December 2026	738,775
15 June 2027	738,775
15 December 2027	738,775
15 June 2028	738,775
15 December 2028	738,775
15 June 2029	738,775
15 December 2029	738,775
15 June 2030	738,775
15 December 2030	738,775
15 June 2031	738,775
15 December 2031	738,775
15 June 2032	738,775
15 December 2032	738,775
15 June 2033	738,775
15 December 2033	738,775
15 June 2034	738,775
15 December 2034	738,775
15 June 2035	738,775
15 December 2035	738,775
15 June 2036	738,775
15 December 2036	738,775
15 June 2037	738,775
15 December 2037	738,775
15 June 2038	738,775
15 December 2038	738,775
15 June 2039	738,775
TOTAL	29,551,000

* 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.

Interest Charge

3. The amount allocated to Category 6 is for financing the interest charge on the Loan during the implementation period of the Project.

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, 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

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

Retroactive Financing

6. Withdrawals from the Loan Account may be made 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, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for Category 1A until BWDB and REB have entered into a memorandum of understanding, acceptable to ADB, providing that:

- (a) REB will (i) assist BWDB with the preparation of the design specifications, approvals, bidding documents, the evaluation of bids, and contract management and supervision for the relevant Works; and (ii) the ownership of the assets resulting from the Works will be transferred to REB upon completion; and
- (b) REB and Palli Bidyut Samity will develop strategies and action plans to support reliable and adequate supply of power in the Project area, including by (i) upgrading the Doreen power plant from 11MW to 33MW; and (ii) measures to support the peak electricity demands for crop irrigation during the Boro season.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Irrigation Management Improvement Project)				
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	17,448,000		
1A	Electrification**		1,902,000	100% of total expenditure claimed*
1B	Other Works		15,546,000	90% of total expenditure claimed
2	Vehicles and Equipment	109,000		100% of total expenditure claimed*
3	Consulting Services	7,465,000		100% of total expenditure claimed*
4	Training, Workshops, Extension	810,000		100% of total expenditure claimed*
5	Interest Charge	1,156,000		100% of amounts due
6	Unallocated	2,563,000		
	Total	29,551,000		

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

** Subject to the condition for withdrawal described in paragraph 7 of Schedule 3.

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works 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 and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) 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.

Conditions for Award of Contract

6. The Borrower shall not award any Works contract that involves environmental impacts until BWDB has:
 - (a) obtained the final approval of the IEE from the Ministry of Environment and Forest; and
 - (b) incorporated the relevant provisions from the EMP into the Works contract.

Consulting Services

7. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

8. The Borrower shall apply the Least-Cost Selection method for selecting and engaging the Consulting Services for specialist water and land institutes, in accordance with, among other things, the procedures set forth in the Procurement Plan.

9. The Borrower shall recruit individual consultants to serve on the independent panel of experts in relation to the transition from the Construction-phase IMO to the Management-phase IMO, in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

10. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation 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.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works 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.

11. 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

12. 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.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower and BWDB 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 and BWDB shall ensure that the PMU, the PIU, and the monitoring and PPP cells at BWDB employ sufficient staff for the duration of the Project with adequate and relevant expertise in the field of project management, financial management, engineering, procurement, and environmental and social safeguards implementation. The Borrower and BWDB shall keep the PMU, the PIU and the monitoring and PPP cells equipped with the necessary office space, facilities, equipment, support staff and management information systems for the entire duration of the Project.
3. The Borrower and BWDB shall (a) ensure that all counterpart staff assigned to the PMU, the PIU, and the PPP and monitoring cells are assigned to the Project on a full-time basis; and (b) undertake best efforts to ensure that they remain in their positions for a reasonable period of time, and that staff replacements do not unduly disrupt implementation of the Project. The Borrower and BWDB shall provide ADB reasonable opportunity to comment on any proposed appointment of persons to key positions in the PMU, the PIU and PPP cell, including the PMU Director, the PIU Director and the PPP officer.
4. The PMU Director shall hold a rank of at least Superintending Engineer. The PIU Director shall hold a rank of at least Executive Engineer.

Counterpart Support

5. The Borrower shall make available to BWDB, and BWDB shall provide, all counterpart funds required for timely and effective implementation of the Project, including, without limitation, any funds required to keep the PMU fully equipped and fully staffed in accordance with the requirements set out in the PAM, to mitigate unforeseen environmental and social impacts, and to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances. The Borrower shall make the resources thus required available to BWDB on a quarterly basis for each fiscal year.
6. The Borrower shall reimburse BWDB for any taxes and duties imposed in the territory of the Borrower for Goods, Works and Consulting Services used in the carrying out the Project, no later than the fiscal year after the year in which the taxes and duties were incurred.

Management, Operation and Maintenance of Project Facilities

7. In accordance with the Borrower's Guidelines for Participatory Water Management (2000), BWDB, the Construction-phase IMO and the ICC shall jointly undertake

a public consultation program to understand the service delivery requirements of the beneficiaries of the Project. Following such consultation program, BWDB, the Construction-phase IMO and the ICC shall collaborate with the PMDC to devise an MOM plan for the Project that aims to deliver service standards in accordance with the requirements identified under the public consultation program.

8. Three years after the appointment of the Construction-phase IMO, BWDB shall recruit and engage an independent panel of experts with qualifications, experience and terms of reference acceptable to ADB, to (a) review the performance of the Construction-phase IMO thus far and assess whether the Project is ready to have its long-term MOM transferred to the Management-phase IMO in accordance with paragraph 9 of this Schedule; and – if not – (b) advise on measures to remedy the deficiencies in the proposed plan or propose alternative approaches to ensure that the sustainable development objectives envisaged under the Project are achieved.

9. If the independent panel of experts recommends that the long-term MOM of all or part of the Project facilities be transferred to a Management-phase IMO upon expiry of the management contract of the Construction-phase IMO, BWDB shall transfer the responsibility for such MOM activities to the Management-phase IMO pursuant to a long-term lease, concession or other PPP modality suitable for the MIP, in a manner that (a) allocates risks and responsibilities among the stakeholders in the MIP in accordance with sound international practice; (b) includes a transparent, objective and comprehensive water service tariff regulation mechanism that is aimed at cost recovery and provides for a reasonable return on equity for the Management-phase IMO; and (c) provides the Management-phase IMO with the operational autonomy to effectively manage its operations, to meet the requirements for operation and maintenance cost recovery and preserve its business interests, through collection of water service charges or other cost recovery/income generating activities.

10. The Borrower and BWDB shall select and engage the Management-phase IMO through a transparent and competitive bidding process in accordance with procedures acceptable to ADB.

11. In the event that the water service tariff regulation mechanism developed under the MOM plan provides for a subsidy component for some or all of the water users, the Borrower and BWDB shall allocate in their annual budgets adequate resources to ensure that such subsidy component is paid to the Management-phase IMO in a timely manner.

12. The Borrower and BWDB shall ensure that (a) BWDB operates and maintains any Project facilities that have not been transferred to the Management-phase IMO pursuant to the foregoing provisions of this Schedule, in accordance with the operation and maintenance plans to be developed under the Project; (b) BWDB submits annually to the Ministry of Water Resources budget requests with a separate line item to cover the cost of maintenance and repair of the infrastructure in accordance with such operation and maintenance plans; and (c) the Borrower allocates in its annual budget adequate resources for BWDB to carry out the maintenance and repair works.

Environment

13. The Borrower shall cause BWDB to 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 IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Social Safeguards

14. The Borrower and BWDB shall ensure that the Project does not have any indigenous peoples or involuntary resettlement impacts within the meaning of the SPS. In the unforeseen event that the Project does have any such impact, the Borrower shall cause BWDB to take all steps required to ensure that the Project complies with applicable laws and regulations of the Borrower, the RF (as applicable), and the SPS.

Human and Financial Resources to Implement Safeguards Requirements

15. The Borrower shall cause BWDB to make available necessary budgetary and human resources to fully implement the EMP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

16. The Borrower shall cause BWDB to 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 IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide BWDB with a written notice of any unanticipated environmental or resettlement risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP or the RF;
- (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

17. The Borrower shall cause BWDB to do the following:

- (a) 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 IEE, the EMP or the RF, 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 promptly after becoming aware of the breach.

Prohibited List of Investments

18. The Borrower shall cause BWDB 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

19. The Borrower shall cause BWDB to ensure that all bidding documents and contracts for construction or civil works under the Project contain provisions that require contractors:

- (a) to comply with applicable core labor standards, labor laws and incorporate applicable workplace occupational and health and safety principles;
- (b) to eliminate discrimination in respect of employment and to not differentiate payment between men and women for work of equal value;
- (c) not to employ child labor; to eliminate forced or compulsory labor; to allow for freedom of association;
- (d) to maximize employment of local poor and disadvantaged persons for construction purposes to the extent possible, provided that the requirements for efficiency are adequately met;
- (e) to disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmittable infections, including HIV/AIDS, to their employees and to members of the local communities surrounding the Project facilities, particularly to females; and
- (f) to implement the applicable provisions of the GAP.

Gender and Development

20. The Borrower and BWDB shall comply with and implement the GAP in accordance with its terms, allocate adequate resources for such implementation, and shall monitor and report to ADB on key gender outcome and output targets in accordance with the project performance and monitoring system to be developed for the Project.

Public Awareness and Communication

21. The Borrower and BWDB shall comply with and implement the stakeholder communication strategy developed for the Project and allocate adequate resources for such implementation.

22. BWDB, the Construction-phase IMO and the Management-phase IMO shall conduct (a) public information campaigns when changing water tariffs for an irrigation scheme rehabilitated under the Project; and (b) public awareness programs to sensitize water users of irrigation schemes about the need to conserve electricity and water.

Road Map; Policy and Institutional Reforms

23. The Borrower and BWDB shall remain committed to the road map and the policy framework underlying the Project, and shall implement the policy and institutional reform actions identified under the road map in accordance with the time schedule set out therein, including, without limitation, with respect to (a) amendment and adoption of the draft BWDB Operation and Maintenance Policy 2010; and (b) amendment of the Irrigation Service Charge Imposition, Collection and Usage Regulation 2003.

Policy Dialogue and Coordination with Development Coordination

24. The Borrower and BWDB shall keep ADB informed, through the Water Consultative Committee or otherwise, of discussions (a) among government and quasi-government bodies with responsibility for water sector development; and (b) with Japan International Cooperation Agency, the Kingdom of the Netherlands, World Bank and other multilateral and bilateral agencies, that have implications for the implementation of the Project, and shall provide ADB with an opportunity to comment on any proposed interventions in the water sector resulting from such discussions. The Borrower and BWDB shall take ADB's views into consideration before finalizing and implementing any such proposals.

Governance and Corruption

25. The Borrower and BWDB 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.

26. The Borrower and BWDB 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 BWDB and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

27. The Borrower shall ensure that, within 6 months after the Effective Date, BWDB's internal audit department (a) has completed an internal financial audit related to the latest fiscal year, but no earlier than FY 2014, of the relevant zone and circle within BWDB that is primarily responsible for implementation of the Project; (b) has submitted a copy of the internal audit report to the Governing Council of BWDB; and (c) furnished to ADB, a copy thereof and such other information concerning the audit as ADB may reasonably request, all in the English language.

28. The Borrower and BWDB shall announce the Project and business opportunities associated with the Project on their websites. In addition, the websites shall at least disclose the following information in relation to Goods, Works and Consulting Services procured for the Project: (a) the list of participating bidders; (b) the name of the winning bidder; (c) the amount of the contracts awarded; and (d) the Goods, Works and Consulting Services procured.

29. The Borrower shall conduct periodic inspections and random spot checks of civil servants' and contractors' activities related to the procurement of Goods, Works and Consulting Services and to fund withdrawals and settlements under the Project.