
LOAN NUMBER 3151-CAM (SF)

AMENDED AND RESTATED LOAN AGREEMENT
(Special Operations)

(Rural Roads Improvement Project II)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 30 December 2015

CAM 42334

**AMENDED AND RESTATED LOAN AGREEMENT
(Special Operations)**

AMENDED AND RESTATED LOAN AGREEMENT dated 30 Dec 2015
between KINGDOM OF CAMBODIA ("Borrower") and ASIAN DEVELOPMENT BANK
("ADB").

WHEREAS

(A) the Borrower had applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) ADB had agreed to make a loan in the amount of thirty-four million nine hundred eighteen thousand Special Drawing Rights (SDR34,918,000) to the Borrower from the ADB's Special Funds resources upon terms and conditions set forth under the Loan Agreement dated 27 October 2014 between the Borrower and ADB ("Initial Loan Agreement");

(C) the Government of Australia had agreed to make a grant to the Borrower ("Initial Australia Grant") in an amount equivalent of seven million six hundred thousand Australian Dollars (A\$7,600,000), and the Borrower has further applied for a grant ("Additional Australia Grant"), together with Initial Grant, ("Australia Grant") in an amount equivalent of fifteen million Australian Dollars (A\$15,000,000), both to assist in financing a part of the Project and to be administered by ADB, upon the terms and conditions set forth in a grant agreement between the Borrower and ADB ("Australia Grant Agreement");

(D) the Nordic Development Fund had agreed to make a grant ("NDF Grant") in an amount equivalent of four million Euro (EUR4,000,000) to assist in financing a part of the Project and to be administered by ADB, upon the terms and conditions set forth in a grant agreement between the Borrower and ADB ("NDF Grant Agreement");

(E) the Government of Korea had agreed to make a loan ("Korea Loan") in an amount equivalent of forty-one million Dollars (\$41,000,000) to assist in financing a part of the Project, upon the terms and conditions set forth in a loan agreement between the Borrower and the Government of Korea ("Korea Loan Agreement");

(F) the Borrower has applied to the Strategic Climate Fund ("SCF") for a grant ("SCF Grant") in an amount not exceeding the equivalent of nine million Dollars (\$9,000,000) to assist in financing a part of the Project and to be administered by ADB, upon the terms and conditions set forth in a grant agreement between the Borrower and ADB ("Grant Agreement");

(G) the Borrower has also applied to SCF for a loan ("SCF Loan") in an amount not exceeding the equivalent of seven million Dollars (\$7,000,000) to assist in financing a part of the Project and to be administered by ADB, upon the terms and conditions set forth in a loan agreement between the Borrower and ADB ("SCF Loan Agreement");

(H) the Borrower has also applied to Agence Française de Développement ("AFD") for a loan ("AFD Loan") in an amount of thirty-five million euros (EUR35,000,000) to assist in financing a part of the Project and to be administered by ADB, upon the terms and

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conditions set forth in a loan agreement between the Borrower and AFD ("AFD Loan Agreement");

(I) it has been agreed between the Borrower and ADB that certain amendments are required to be made in the terms and conditions, scope and allocation of the Loan, and the amendments have been approved by the Borrower and ADB; and

(J) the parties agree that the Initial Loan Agreement is hereby amended and restated to provide for the approved amendments to the terms and conditions, scope and allocation of the Loan;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All 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) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(b) "Consulting Services" means the services to be financed out of the proceeds of the Loan to implement activities as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(c) "Environmental Management Plan" or "EMP" means the 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) "GAP" means a gender action plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(f) "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;

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(g) "Governance Risk Assessment and Risk Management Plan" means the governance risk assessment and mitigation plan developed and agreed for the Project;

(h) "HHTPP" means HIV/AIDS and human trafficking prevention and awareness program;

(i) "HIV/AIDS" means human immunodeficiency virus/acquired immune deficiency syndrome;

(j) "Initial Environmental Examination" or "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 (2015, as amended from time to time);

(l) "MRD" means the Borrower's Ministry of Rural Development, and any successor thereto;

(m) "PAM" means the project administration manual for the Project dated 22 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;

(n) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(o) "Procurement Manual" means the Procurement Manual dated 22 May 2012 (as amended from time to time) under the Standard Operating Procedures prepared by the Borrower and endorsed by ADB, which sets forth the procurement-related policies and procedures for externally-financed projects and programs;

(p) "Procurement Plan" means the procurement plan for the Project dated 22 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 (which include the Standard Operating Procedures and the Procurement Manual as updated from time to time);

(q) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MRD, which is responsible for the carrying out of the Project;

(r) "Project facilities" means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;

(s) "Project Province" means each of the provinces located within the territory of the Borrower where the Project will be carried out;

(t) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(u) "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, including any corrective and preventative actions;

(v) "SEO" means a social and environment office within MRD;

(w) "Standard Operating Procedures" means the standard operating procedures of the Borrower (22 May 2012, as amended from time to time) which were endorsed by ADB, providing procedures applicable to all externally-financed projects and programs;

(x) "STI" means a sexually transmitted infection;

(y) "UXO" means unexploded ordnances which are explosive weapons that did not explode when they were employed and still pose a risk of detonation; and

(z) "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 thirty-four million nine hundred eighteen thousand Special Drawing Rights (SDR34,918,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(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 April and 15 October in each year.

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

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.

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ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied 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. 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. 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 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.

Section 4.02. (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

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

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

(a) any of the Australia Grant Agreement, NDF Grant Agreement and SCF Grant Agreement shall have become liable for suspension or cancellation; and

(b) any of the Korea Loan Agreement, SCF Loan Agreement and AFD Loan Agreement shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: Axle load control regulations (Prakas), in a form and substance acceptable to ADB, shall have been approved by the Minister of MRD.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

The Ministry of Economy and Finance
St. 92 Sangkat Wat Phnom Penh
Khan Daun Penh
Phnom Penh
Cambodia

Facsimile Numbers:

(855-23) 427 798
(855-23) 428 424.

For ADB

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


Facsimile Numbers:

(632) 636-2444
(632) 636-2331.

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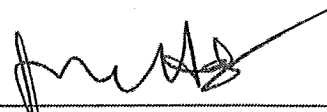
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

KINGDOM OF CAMBODIA

By 

H.E. DR. AUN PORNMONIROTH
Minister
Ministry of Economy and Finance

ASIAN DEVELOPMENT BANK

By 

JANUAR HAKIM
Authorized Representative

SCHEDULE 1**Description of the Project**

1. The objective of the Project is a safe, climate-resilient, and cost effective rural road network that provides all-year access in agricultural areas of the Project Provinces.

2. The Project shall comprise the following outputs:

Output 1. Rural Roads Improvements. Improving about 1,200 km of rural roads to climate resilient paved condition, and providing green planting and design and implementation supervision consulting services.

Output 2. Rural Roads Asset Management. Carrying out capacity-building program for (a) rural road asset management in a sustainable manner, and (b) gradual reduction of force account by the provincial departments of rural development.

Output 3. Rural Road Safety and Community Awareness Program. Increasing the awareness and application of road safety and safeguards by the following activities:

- (a) expanding the pilot community-based road safety awareness program, including education program for schools, drivers, road users, and the community, and also incorporates road safety provisions in road design;
- (b) strengthening the capacity of SEO;
- (c) implementing an HHTPP; and
- (d) conducting a sex disaggregated socioeconomic baseline survey of Project beneficiaries.

Output 4. Project Management Support. Providing consulting services and equipment to strengthen the capacity of MRD to provide efficient project management support for Project implementation.

Output 5. Connectivity Improvements for Mekong River Islands.

- (a) Rehabilitating roads and jetties within a 5-island cluster in the Mekong River (Koh Mitt, Koh Pir, Koh Samrong, Koh Soutin, and Koh Thmei), including provisions for small-scale levees and water management interventions to minimize flooding; and
- (b) developing a climate change adaptation framework and its associated investments of minor activities of multisector, including a community-based emergency management system.

3. The Project is expected to be completed by 30 June 2020.

SCHEDULE 2

Amortization Schedule

(Rural Roads Improvement Project II)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 October 2022	727,458
15 April 2023	727,458
15 October 2023	727,458
15 April 2024	727,458
15 October 2024	727,458
15 April 2025	727,458
15 October 2025	727,458
15 April 2026	727,458
15 October 2026	727,458
15 April 2027	727,458
15 October 2027	727,458
15 April 2028	727,458
15 October 2028	727,458
15 April 2029	727,458
15 October 2029	727,458
15 April 2030	727,458
15 October 2030	727,458
15 April 2031	727,458
15 October 2031	727,458
15 April 2032	727,458
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15 April 2037	727,458
15 October 2037	727,458
15 April 2038	727,458
15 October 2038	727,458
15 April 2039	727,458
15 October 2039	727,458
15 April 2040	727,458
15 October 2040	727,458
15 April 2041	727,458
15 October 2041	727,458
15 April 2042	727,458
15 October 2042	727,458
15 April 2043	727,458
15 October 2043	727,458
15 April 2044	727,458
15 October 2044	727,458

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<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2045	727,458
15 October 2045	727,458
15 April 2046	727,474
TOTAL	34,918,000

* 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 5 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.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Rural Roads Improvement Project II)				
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	26,958,000		
1A	Improve 9 roads, 193.9 km, (Tboung Khmum)		6,945,000	45% of total expenditure claimed*
1B	Improve 7 roads, 82.0 km (Takeo)		2,716,000	45% of total expenditure claimed*
1C	Improve 8 roads, 141.5 km (Kampong Speu)		3,931,000	45% of total expenditure claimed*
1D	Improve 9 roads, 125.9 km (Kampong Chhnang)		4,488,000	45% of total expenditure claimed*
1E	Improve 6 roads, 122.0 km (Siem Reap)		3,589,000	45% of total expenditure claimed*
1F	Improve 4 road, 122.7 km (Kampong Thom)		3,666,000	45% of total expenditure claimed*
1L	Improve 1 road, 6.4 km (Battambang)		213,000	45% of total expenditure claimed*
1M	Improve 2 roads, 22.2 km, (Kampong Speu)		731,000	45% of total expenditure claimed*
1N	Improve 2 roads, 22.4 km (Takeo)		679,000	45% of total expenditure claimed*
2	Equipment	653,000		
2A	Vehicles, computer and furniture		77,000	50% of total expenditure claimed*
2B	PRAM Equipment		233,000	56% of total expenditure claimed*
2C	Axle Load Control		343,000	56% of total expenditure claimed*
3	Consulting Services	5,128,000		
3A	Detailed design and implementation supervision		2,509,000	77% of total expenditure claimed*
3B	Preparation of future projects		705,000	100% of total expenditure claimed*
3C	DDIS for Additional Financing		323,000	10% of total expenditure claimed*
3D	Road Asset Management Program		673,000	40% of total expenditure claimed*
3E	Sustainable Community-based Road Safety Program		614,000	40% of total expenditure claimed*
3F	HIV/AIDS & Human Trafficking Prevention and Awareness Program		304,000	39% of total expenditure claimed*
4	Incremental costs (Project Management)**	524,000		57% of total expenditure claimed
5	Interest Charge	1,655,000		100% of total amount due
	Total	34,918,000		

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

** Exclusive of salary supplement and audit cost

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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.

Domestic Preference

5. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

National Competitive Bidding

6. 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

7. The Borrower shall not award any Works contracts until:
 - (a) MRD has obtained the final approval of the IEE from the Borrower's Ministry of Environment; and
 - (b) the respective Project Provinces have incorporated the relevant provisions from the EMP into the concerned Works contracts.

Consulting Services

8. 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.

9. The Borrower shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Quality-based Selection for HIV/AIDS and Human Trafficking Prevention and Awareness Program.

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; Environmental, Social and 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.

Environment

2. The Borrower 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 IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Social Safeguard

3. The Borrower shall ensure that the Project does not have any indigenous peoples or involuntary resettlement impacts, all within the meaning of ADB's Safeguard Policy Statement. 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 Safeguard Policy Statement. In particular, in the event that the Project does have such involuntary, resettlement impact, the Borrower shall prepare and implement a resettlement plan in accordance with the resettlement framework as developed and agreed between the Borrower and ADB.

Human and Financial Resources to Implement Safeguards Requirements

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

Safeguards – Related Provisions in Bidding Documents and Works Contracts

5. The Borrower 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 IEE and the EMP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental measures; and

- (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 IEE and the EMP.

Safeguards Monitoring and Reporting

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

7. 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.

Gender Action Plan

8. The Borrower, through MRD, shall ensure that the GAP is fully implemented, including quarterly GAP progress reports, and that all Project activities are designed and implemented in accordance with ADB's Policy on Gender and Development (1998). In particular, the Borrower shall ensure that at least 25% of the labor force under the Works contracts shall be female workers. Within 9 months of the Effective Date, MRD shall work with the Provincial Departments of Rural Development and commune officials to develop a sex-disaggregated registry of local labor available in the nine rural provinces, and will cause SEO to train local contractors on the use of the registry for labor deployment.

Human and Financial Resources for Social Activities

9. The Borrower shall ensure that the human and financial resources in SEO are increased by recruiting at least 3 additional staff to cope with SEO's extensive responsibilities requiring frequent field visits. These responsibilities shall include sub-national capacity development, Project monitoring, and oversight in the areas of gender equity, environment, indigenous people, and involuntary resettlement.

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Works Contract

10. Without limiting the generality of the foregoing, the Borrower through MRD, shall ensure that any bidding document for Works contracts includes provisions to require the contractors to (a) provide the timely payment of wages; (b) comply with core labor standards and the applicable labor laws and regulations, including, among others, (i) no child labor, (ii) no forced labor, (iii) no discrimination on employment regardless of gender and/or ethnicity, and (iv) freedom of association and protection of the right to organize; and (c) implement HHTPP for all employees and at risk groups in local communities in the Project areas and provide necessary measures to ensure the safety and health of their employees.

Operation and Maintenance of Project Roads

11. The Borrower shall ensure that adequate budget is allocated annually for the operation and maintenance of the Project facilities after the Project completion.

UXO Clearance

12. For any Works supported under the Project, the Borrower shall ensure that MRD does not issue a notice to proceed with such Works, until it has confirmed that the related construction site is free from any UXOs.

Operation Agreement for River Island Connections

13. Within 48 months of the Effective Date, the Borrower shall ensure that MRD, the Provincial Governments of Kampong Cham and Tbong Khmum, and the concerned private sector boat operators shall have executed an agreement, acceptable to ADB, with provisions for monitoring and inspection regarding Mekong River island connections. Provisions of such agreement shall include: (a) captains of the boats are licensed or trained for public transport; (b) regular services are provided with fixed time tables; (c) operators will never use child labor; (d) proper navigation lights are installed for vessels; (e) facilities in the vessels are improved including operational worthiness, safety equipment, and emergency operations, etc.; (f) operators will be equipped with proper knowledge of the payload or capacity of vessels to minimize safety hazards; and (g) proper maintenance and management of jetties and vessels will be financed through appropriate tariffs.

Governance and Anticorruption

14. The Borrower shall comply with ADB's Anticorruption Policy (1998, as amended to date) and the Combating Money Laundering and the Financing of Terrorism Policy (2003). The Borrower acknowledges that ADB, consistent with its commitment to good governance, accountability, and transparency, reserves the right to investigate directly, or through its agents, any possible corrupt, fraudulent, collusive, or coercive practices relating to the Project. In particular, the Borrower shall include in the bidding documents and in all contracts financed by ADB in connection with the Project: (a) provisions specifying the right of ADB to audit and examine the records and accounts of the Project, and all contractors, suppliers, consultants, and other service providers as they relate to the Project; (b) periodic inspections of the contractor's activities related to fund withdrawals and settlements carried out by the Borrower; and (c) the auditors engaged by the Borrower have the right to conduct random or spot audits of contract implementation activities under the Projects.

Schedule 5

15. The Borrower, through MRD, shall publicly disclose on the MRD's website information related to award of Goods and/or Works contracts including (i) the list of participating bidders, (ii) name of the winning bidder, (iii) basic details on bidding procedures adopted, (iv) amount of the contract awarded, (v) list of Goods and/or Works, and (vi) intended and actual utilization of the Loan proceeds under each contract.

16. The Borrower shall comply with and cause MRD to comply with the Governance Risk Assessment and Risk Management Plan.

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