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LOAN NUMBER 3414-CAM (SF)

LOAN AGREEMENT  
(Special Operations)

(Decentralized Public Service and Financial Management Sector Development Project –  
Subprogram 2)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 6 OCTOBER 2016

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CAM 41392

## **LOAN AGREEMENT (Special Operations)**

LOAN AGREEMENT dated 6 October 2016 between KINGDOM OF CAMBODIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

### WHEREAS

(A) by a loan agreement of even date herewith between the Borrower and ADB ("Program Loan Agreement"), ADB has agreed to provide to the Borrower a loan from its Special Funds resources equivalent to ten million seven hundred twenty-nine thousand Special Drawing Rights (SDR10,729,000) in support of the Decentralized Public Service and Financial Management Sector Development Program ("Program"). The Program comprises the second subprogram of a programmatic approach, as described in paragraph 1 of Schedule 1 to the Program Loan Agreement ("Programmatic Approach");

(B) in support of the program, the Borrower has applied to ADB for a loan for the purposes of the project described in Schedule 1 to this Loan Agreement ("Project"); 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;

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 as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(c) "EA" or "Project Executing Agency" means for the purposes of, and within the meaning of, the Loan Regulations means SNIF Board, through its secretariat or any successor thereto acceptable to ADB, which is responsible for the implementation of the Project;

(d) "EARF" or "Environmental Assessment and Review Framework" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(e) "EMP" or "Environmental Management Plan" means each environmental management plan prepared in accordance with the EARF for a Local Investment Project, including any update thereto and 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, including any update thereto, prepared and submitted by the EA and cleared 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) "HIV/AIDS" means human immunodeficiency virus/acquired immune deficiency syndrome;

(j) "IEE" or "Initial Environmental Examination" means each initial environmental examination for the Local Investment Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(k) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(l) "Local Investment Project" means investment projects selected in accordance with criteria specified in paragraph 4 of schedule 5 to this Loan Agreement and detailed in the PAM and financed by the investment grant provided to SNIF under the Project;

(m) "MEF" means the Borrower's Ministry of Economy and Finance or any successor thereto;

(n) "PAM" means the project administration manual for the Project dated 29 June 2016 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;

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

(p) "Procurement Manual" means the Procurement Manual under the Standard Operating Procedures prepared by the Borrower and endorsed by ADB, which sets forth procurement-related policies and procedures for externally-financed projects and programs;

(q) "Procurement Plan" means the procurement plan for the Project dated 29 June 2016 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 Procurement Manual as updated from time to time);

(r) "Project facilities" means facilities to be provided, constructed, operated, upgraded and maintained under the Project;

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

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

(u) "SNAs" means the Borrower's sub-national administrations;

(v) "SNIF" means the Borrower's sub-national investment fund established under the Program;

(w) "SNIF Board" means the SNIF board as constituted under Articles 9 and 10 of the SNIF Sub-Decree number 32 ANK.BK dated 29 February 2016;

(x) "Standard Operating Procedures" means the standard operating procedures of the Borrower dated 22 May 2012 (as amended from time to time) providing procedures applicable to all externally-financed projects and programs; and

(y) "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 fourteen million three hundred five thousand Special Drawing Rights (SDR14,305,000).

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 October and 15 April 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 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. 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 30 June 2022 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 cause the EA to (i) maintain separate accounts and records for the Project; (ii) prepare consolidated 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 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 shall cause the EA to enable ADB, upon ADB's request, to discuss the financial statements for the Project and the EA'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 EA, unless the EA 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 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 Borrower shall have failed to perform any of its obligations under the Program Loan Agreement.

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. 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: the Program Loan Agreement shall have been duly executed and delivered on behalf of the Borrower and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Program Loan Agreement has been duly executed and delivered on behalf of and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. 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****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

Ministry of Economy and Finance  
St. 92 Sangkat Wat Phnom  
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:

(63-2) 636-2444  
(63-2) 636-2331.




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  
Senior Minister  
Minister, Ministry of Economy and  
Finance

ASIAN DEVELOPMENT BANK

By   
NORIKO OGAWA  
Deputy Director General  
Southeast Asia Department

**SCHEDULE 1****Description of the Project**

1. The objective of the Project is the development of an efficient system of intergovernmental fiscal relations that assists service delivery by SNAs.

2. The Project shall comprise the following output:

**Establishment and operations of SNIF** – The Project will provide investment grants through SNIF for eligible SNAs for Local Investment Projects, including Works, Goods, and Consulting Services. Consulting Services will be provided for: (a) training of SNIF secretariat and SNAs; (b) annual performance assessments of SNAs; (c) an annual evaluation and audit of investments; (d) external audits of SNIF finances; and (e) technical backstopping support for the SNIF secretariat.

3. The Project is expected to be completed by 31 December 2021.

**SCHEDULE 2****Amortization Schedule****(Decentralized Public Service and Financial Management Sector Development Project  
– Subprogram 2)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 October 2024	298,021
15 April 2025	298,021
15 October 2025	298,021
15 April 2026	298,021
15 October 2026	298,021
15 April 2027	298,021
15 October 2027	298,021
15 April 2028	298,021
15 October 2028	298,021
15 April 2029	298,021
15 October 2029	298,021
15 April 2030	298,021
15 October 2030	298,021
15 April 2031	298,021
15 October 2031	298,021
15 April 2032	298,021
15 October 2032	298,021
15 April 2033	298,021
15 October 2033	298,021
15 April 2034	298,021
15 October 2034	298,021
15 April 2035	298,021
15 October 2035	298,021
15 April 2036	298,021
15 October 2036	298,021
15 April 2037	298,021
15 October 2037	298,021
15 April 2038	298,021
15 October 2038	298,021
15 April 2039	298,021
15 October 2039	298,021
15 April 2040	298,021
15 October 2040	298,021
15 April 2041	298,021
15 October 2041	298,021
15 April 2042	298,021
15 October 2042	298,021
15 April 2043	298,021
15 October 2043	298,021

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2044	298,021
15 October 2044	298,021
15 April 2045	298,021
15 October 2045	298,021
15 April 2046	298,021
15 October 2046	298,021
15 April 2047	298,021
15 October 2047	298,021
15 April 2048	298,013
Total	14,305,000

\* 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 3 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.

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until all SNIF contractual staff positions to be funded by the Borrower and listed in Annexure 1 to the PAM shall have been filled by qualified

professionals through competitive selection process in accordance with the terms of reference and qualification requirements provided in the said Annexure 1 to the PAM.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b> <b>(Decentralized Public Service and Financial Management Sector Development Project</b> <b>– Subprogram 2)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (SDR) Category</b>	<b>Basis for Withdrawal from the Loan Account</b>
1	Works*	12,338,000	100% of total expenditure claimed
2	Secretariat and Operations Support (Vehicle, Equipment, Furniture, Consulting Services, Trainings, Workshops and Seminars)*	987,000	100% of total expenditure claimed
3	Interest During Implementation	279,000	100% of amounts due
4	Unallocated	701,000	
	<b>Total</b>	<b>14,305,000</b>	

\*Subject to the condition for withdrawal described in paragraph 6 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) National Competitive Bidding; and
  - (b) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

National Competitive Bidding

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

Consulting Services

6. Except as ADB may otherwise agree, the Borrower shall apply Least Cost Selection for selecting and engaging Consulting Services for (a) annual performance assessments; (b) development and maintenance of SNIF website; (c) external audit for SNIF imprest account; and (d) annual evaluation and audit of investments.
7. The Borrower shall recruit the individual consultants for technical backstopping support required by the SNIF secretariat and Project implementation support in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

8. (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.

9. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

#### ADB's Review of Procurement Decisions

10. First three contracts procured under national competitive bidding and shopping procedures for Works 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 the EA shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. The Borrower shall cause the EA to: (a) monitor the progress of the Project; and (b) provide guidance and direction to the relevant ministries or departments for implementation of the Project.
3. The Borrower, shall cause the EA to ensure that risks associated with Project management are mitigated by (a) ensuring that staff of the selected districts for implementation of Local Investment Projects is adequately trained in the procurement of Goods, Works, and services under the Project; and (b) conducting periodic inspection of contractors' activities related to fund withdrawals and settlements by the staff of eligible district administrations.

#### Selection Criteria for Local Investment Projects

4. The Borrower shall cause the EA to ensure that the Local Investment Projects to be financed under the Project are selected by the SNIF Board in accordance with the following criteria: (a) no impacts on involuntary resettlement and indigenous peoples and category C within the meaning of the SPS; (b) limited environmental implications and category B or C within the meaning of the SPS; (c) implemented in the districts that pass the annual performance assessment against a number of criteria including, without limitation, financial management and procurement capacity; and (d) selected for eligible sub-sectors as decided by the SNIF Board to be the priority sub-sectors.

#### Counterpart Financing

5. The Borrower shall ensure that (a) adequate counterpart funds required during the Project implementation period are provided on a timely basis to the relevant agencies of the Borrower; (b) annual budgetary appropriation requests are submitted in a timely manner; and (c) appropriated funds are disbursed promptly when needed for the purposes of Project implementation.

#### Safeguards

6. The Borrower shall cause the EA to ensure that the selected Local Investment Projects do not have any indigenous peoples or involuntary resettlement impacts, all within the meaning of the SPS. In the event that the selected Local Investment Projects do have any such unanticipated impacts, the Borrower shall cause the EA to take all steps required to ensure that the said selected Local Investment Projects comply with the applicable laws and regulations of the Borrower and with the SPS.

Environment

7. The Borrower shall cause the EA to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Local Investment Projects and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the respective EMP, if any, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. The Borrower shall cause the EA that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE and the EMP, (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the EA with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Local Investment Projects that were not considered in the IEE and the EMP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction;

Safeguards Monitoring and Reporting

9. The Borrower shall cause the EA to do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Local Investment Projects 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

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

#### Labor Standards, Health and Safety

11. The Borrower shall cause the EA to ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during the implementation of selected Local Investment Projects. The Borrower 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) ensure that workers are not restricted from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; 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.

12. The Borrower shall cause the EA to strictly monitor compliance with the requirements set forth in paragraph 11 above and provide ADB with regular reports.

#### Gender and Development

13. The Borrower shall cause the EA to 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; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB. Key gender outcome and output targets include, but not limited to: (i) gender is adequately addressed and mainstreamed into the SNIF operational plan; (ii) gender equity and women's empowerment issues are incorporated in the local investment projects; (iii) community women participate in local planning; (iv) SNA female officials are targeted for project facilitator team; and (v) sex-disaggregated data is recorded through SNIF operations.

#### Governance and Anticorruption

14. The Borrower and the EA 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.

15. The Borrower and the EA 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.