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LOAN NUMBER 2749-GEO (SF)

LOAN AGREEMENT  
(Special Operations)

(Urban Services Improvement Investment Program – Project 1)

between

GEORGIA

and

ASIAN DEVELOPMENT BANK

DATED 10 MAY 2011

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GEO 43405

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 10 MAY 2011 between GEORGIA  
("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 1 March 2011 between the Borrower and ADB ("FFA"), ADB has agreed to provide a multitranche financing facility ("Facility") to the Borrower for purposes of financing projects under the Urban Services Improvement Investment Program ("Investment Program");

(B) by a periodic financing request dated 2 March 2011 submitted by the Borrower, the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out by the United Water Supply Company of Georgia Limited Liability Company ("UWSCG") (for Components 1 and 3 of the Project) and the Ministry of Regional Development and Infrastructure of the Borrower ("MRDI") (for Component 2 of the Project), and for this purpose the Borrower will make available to UWSCG and MRDI the proceeds of the loan provided herein in accordance with the terms and conditions satisfactory to ADB; and

(D) 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 between ADB and UWSCG.

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

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

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

"Project Agreement" means the Project Agreement between ADB and UWSCG;

(b) The term "the Project Executing Agency" appearing in Section 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the term "UWSCG".

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) “Component” means each of Components 1, 2 and 3 of the Project as further described in paragraph 2 of Schedule 1 to this Loan Agreement;

(b) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

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

(d) “EARF” means the Environmental Assessment and Review Framework for the Investment Program, as agreed between the Borrower and ADB, as amended from time to time;

(e) “EMP” means the Environmental Management Plan for the Project prepared in accordance with the EARF, incorporated in the IEE;

(f) “FAM” means the Facility Administration Manual for the Facility, as agreed between the Borrower and ADB, as amended from time to time;

(g) “GNEWSRC” means the Georgia National Energy and Water Supply Regulatory Commission of the Borrower or any successor thereto;

(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) “IEE” means the Initial Environmental Examination for the Project prepared in accordance with the EARF;

(j) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2007, as amended from time to time);

(k) “MA” means the Ministry of Agriculture of the Borrower or any successor thereto;

(l) “MEPNR” means the Ministry of Environmental Protection and National Resources of the Borrower or any successor thereto;

(m) “PFR” means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 2 March 2011;

(n) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);

(o) "Procurement Plan" means the procurement plan for the Project dated 24 February 2011 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;

(p) "Project Executing Agency" means MRDI, which is responsible for carrying out the Project;

(q) "RF" means the Resettlement Framework for the Investment Program, as agreed between the Borrower and ADB, as amended from time to time;

(r) "RP" means the Resettlement Plan for the Project prepared in accordance with the RF;

(s) "Subsidiary Loan Agreement" means the agreement between the Borrower, MRDI and UWSCG referred to in Section 3.01(a) of this Loan Agreement;

(t) "UWSCG" means the United Water Supply Company of Georgia Limited Liability Company established under the laws and regulations of the Borrower with its registered address at #5, Anna Politkovskaia Street, Tbilisi 0186, Georgia;

(u) "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; and

(v) "WSS" means water supply and sanitation.

## **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 fifty-one million three hundred and forty-three thousand Special Drawing Rights (SDR51,343,000).

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 paragraph (a) of this Section 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 January and 15 July 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. (a) The Borrower shall relend a portion of the proceeds of the Loan (SDR40,681,000) to UWSCG under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB shall otherwise agree, the terms for relending the proceeds of the Loan shall include interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, and a repayment period of 32 years, including a grace period of 8 years. Foreign exchange risk shall be borne by UWSCG.

(b) The Borrower shall cause UWSCG to apply the proceeds of the Loan described in subparagraph (a) of this Section to the financing of expenditures on Components 1 and 3 of the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The Borrower shall make a portion of the proceeds of the Loan (SDR7,342,000) available to MRDI upon terms and conditions satisfactory to ADB and cause MRDI to apply such proceeds to the financing of expenditures on Component 2 of the Project in accordance with the provisions of this Loan Agreement.

Section 3.03. Any change to the portion of the proceeds of the Loan that is relent to UWSCG, as described in Section 3.01(a) of this Loan Agreement, or to the portion of the proceeds of the Loan that is made available to MRDI, as described in Section 3.02 of this Loan Agreement, shall be agreed between the Borrower and ADB.

Section 3.04. 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 3.05. 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 3.06. 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 3.07. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 September 2016 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. (a) The Borrower shall: (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 9 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to subparagraph (a) of this Section, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

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

Section 4.05. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended or waived without the prior concurrence of ADB.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. A date 30 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VI**

### **Miscellaneous**

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

#### For the Borrower

Ministry of Finance  
16 Gorgosali Street, 0114  
Tbilisi, Georgia

Facsimile Number:

(99532) 261 461.

For ADB

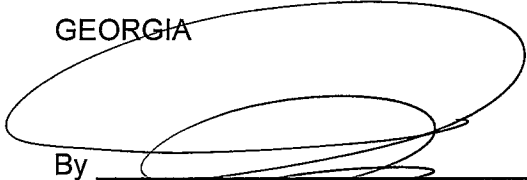
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

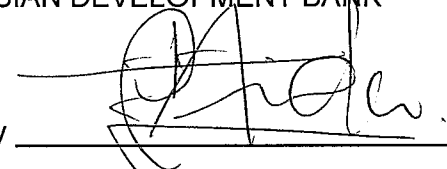
(632) 636-2444  
(632) 636-2301.

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.

GEORGIA

By   
KAKHA BAINDURASHVILI  
Minister of Finance

ASIAN DEVELOPMENT BANK

By   
JUAN MIRANDA  
Director General  
Central and West Asia Department



## SCHEDULE 1

### Description of the Project

1. The objective of the Investment Program is to finance projects with one or more of the following components:

- (a) rehabilitation, improvement and expansion of WSS infrastructure;
- (b) capacity development for WSS-related institutions, including providing management contractor support to improve management and technical capabilities of UWSCG; and
- (c) project implementation support.

2. The Project shall comprise:

#### Component 1 - Infrastructure Improvement Component

- (a) construction of water supply facilities, water treatment facilities and water transmission systems in the towns of Anaklia, Marneuli, Mestia and Zugdidi and procurement of WSS system maintenance vehicles and equipment;

#### Component 2 - Institutional Effectiveness Component

- (b) provision of management contractor support to UWSCG;
- (c) provision of capacity development to MA, MEPNR, MRDI and GNEWSRC; and

#### Component 3 - Project Implementation Support Component

- (d) provision of support to UWSCG for detailed engineering, construction supervision, procurement, safeguards compliance, preparing subsequent projects of the Investment Program and a public awareness program on health, hygiene, sanitation and water conservation.

3. The Project is described more fully in the PFR.

4. The Project is expected to be completed by 31 March 2016.

**SCHEDULE 2****Amortization Schedule****(Urban Services Improvement Investment Program - Project 1)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 July 2019	1,069,646
15 January 2020	1,069,646
15 July 2020	1,069,646
15 January 2021	1,069,646
15 July 2021	1,069,646
15 January 2022	1,069,646
15 July 2022	1,069,646
15 January 2023	1,069,646
15 July 2023	1,069,646
15 January 2024	1,069,646
15 July 2024	1,069,646
15 January 2025	1,069,646
15 July 2025	1,069,646
15 January 2026	1,069,646
15 July 2026	1,069,646
15 January 2027	1,069,646
15 July 2027	1,069,646
15 January 2028	1,069,646
15 July 2028	1,069,646
15 January 2029	1,069,646
15 July 2029	1,069,646
15 January 2030	1,069,646
15 July 2030	1,069,646
15 January 2031	1,069,646
15 July 2031	1,069,646
15 January 2032	1,069,646
15 July 2032	1,069,646
15 January 2033	1,069,646
15 July 2033	1,069,646
15 January 2034	1,069,646
15 July 2034	1,069,646
15 January 2035	1,069,646
15 July 2035	1,069,646
15 January 2036	1,069,646
15 July 2036	1,069,646
15 January 2037	1,069,646
15 July 2037	1,069,646
15 January 2038	1,069,646

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Special Drawing Rights)*</u>
15 July 2038	1,069,646
15 January 2039	1,069,646
15 July 2039	1,069,646
15 January 2040	1,069,646
15 July 2040	1,069,646
15 January 2041	1,069,646
15 July 2041	1,069,646
15 January 2042	1,069,646
15 July 2042	1,069,646
15 January 2043	1,069,638
Total	<u>51,343,000</u>

\* 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 Categories of the Table.)

##### Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

##### Interest Charge

3. The amount allocated to Category 4 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 in connection with Works, Goods, and Consulting Services, 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 withdrawal shall be made from the Loan Account for Components 1 and 3 of the Project until the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, has been duly authorized or ratified, and executed and delivered on behalf of, the Borrower and UWSCG, and is legally binding upon the parties thereto in accordance with its terms.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b>			
<b>(Urban Services Improvement Investment Program – Project 1)</b>			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing  (SDR) Category</b>	<b>Percentage and Basis for Withdrawal from the Loan Account</b>
1	Works	31,274,000	84.75% of total expenditure claimed
2	Goods	2,719,000	84.75% of total expenditure claimed
3	Consulting Services	14,030,000	84.75% of total expenditure claimed
4	Interest	1,393,000	100% of amounts due
5	Unallocated	1,927,000	
	Total	51,343,000	

## **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 and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### Procurement of Goods and Works

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

#### Conditions for Award of Contract

5. The Borrower shall not award any Works contracts until the applicable IEE and RP have been approved by ADB.

#### Selection of Consulting Services

6. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.
7. The Borrower shall recruit individual consultants for Components 2 and 3 of the Project 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. Contracts procured under International Competitive Bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

11. Before granting an extension of the stipulated time for completion of a contract for Goods or Works, or before agreeing to any modification or waiver of the terms and conditions of such contract, including issuing any change order or orders under such contract, the Borrower shall seek ADB's no objection to the proposed extension, modification, or change order. If ADB determines that the proposal is inconsistent with the provisions of the Loan Agreement and/or the Procurement Plan, it shall promptly inform the Borrower and state the reasons for its determination. A copy of all amendments to the contract shall be furnished to ADB for its record.



## SCHEDULE 5

### Execution of Project and Operation of Project Facilities; Financial Matters

#### Implementation Arrangements

1. The Borrower and UWSCG shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement and/or the Project Agreement, the provisions of this Loan Agreement and/or the Project Agreement shall prevail.

#### Counterpart Funding and Resources

2. The Borrower shall ensure that: (a) financial, technical and human resources necessary for the implementation of the Project are provided on a timely basis throughout the implementation period; and (b) adequate funds are allocated for the maintenance of the infrastructure built and items procured under Project.

#### Construction Quality

3. The Borrower shall ensure that the Project is carried out in accordance with applicable standards and international best practice for design, technical specifications, construction supervision, quality control and project management.

#### Sector Development

4. The Borrower shall ensure that: (a) ADB is kept informed of the Borrower's policies and programs for the WSS sector that will materially affect the economic viability of the Project; and (b) best efforts are used to sustain and strengthen the WSS sector.

5. The Borrower shall cause GNEWSRC to strengthen its regulatory function, including tariff setting and regulation of service standards of service providers.

6. The Borrower shall cause UWSCG to strengthen its financial management through: (a) adoption of a 3-year business plan by the end of 2013 to improve services, enhance revenue and reduce system loss; and (b) achievement of financial sustainability through attainment of an operating ratio (i.e. the ratio of expenditure over revenue) of 1 by the end of 2019.

7. The Borrower shall cause UWSCG to improve its service delivery and revenue collection through attainment of an aggregate 95% revenue collection rate per annum from all domestic consumers and non-domestic consumers by the end of 2019.

8. The Borrower shall cause UWSCG to improve its management of WSS assets through the establishment and implementation of a geospatial WSS management system by the end of 2013.

9. The Borrower shall ensure that ADB's consent is obtained at least 3 months prior to the implementation of any of the following: (a) any change in the ownership or control of UWSCG or any asset, facility or structure rehabilitated, procured or constructed under the Project; or (b) any change to UWSCG's authority or functions, that may affect implementation of the Project. The Borrower shall ensure that any such change is carried out in accordance with all applicable laws and regulations of the Borrower.

#### Environment

10. The Borrower shall ensure that the Project is developed, implemented and maintained in accordance with all applicable laws and regulations of the Borrower, ADB's Safeguard Policy Statement (2009), the EARF, the IEE and the EMP.

11. The Borrower shall cause UWSCG to ensure that:

(a) an IEE is prepared for the Project in accordance with all applicable laws and regulations of the Borrower, ADB's Safeguard Policy Statement (2009) and the EARF, and that the IEE is approved by ADB and adhered to during the design, construction and operation phases of the Project;

(b) the EMP is implemented by the contractors, all recommendations of the EMP are incorporated in the bidding documents and civil works contracts to ensure compliance, and adequate budgetary allocation is made by the contractors for implementation of the EMP. Prior to commencement of civil works, UWSCG shall update the EMP in consultation with the construction supervision consultant and the contractors; and

(c) semiannual monitoring reports on EMP implementation are submitted to ADB in a timely manner.

12. 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 ADB's Safeguard Policy Statement (2009).

13. The Borrower shall cause UWSCG to ensure that no water intake facility under the Project shall be commissioned and made operational until UWSCG has been issued with a license or permit for water abstraction activities for such facility.

#### Resettlement

14. The Borrower shall ensure that the Project is developed, implemented and maintained in accordance with all applicable laws and regulations of the Borrower, ADB's Safeguard Policy Statement (2009), the RF and the RP.

15. The Borrower shall cause UWSCG to ensure that:

(a) a RP acceptable to ADB is prepared for the Project in accordance with all applicable laws and regulations of the Borrower, ADB's Safeguard Policy Statement (2009) and the RF;

(b) all land and rights-of-way required by the Project are made available free and clear from any and all rights and claims of third parties and any other encumbrances in a timely manner, subject to compliance with all applicable laws and regulations of the Borrower, ADB's Safeguard Policy Statement (2009), the RF and the RP; and

(c) contractors shall only commence civil works after the RP has been implemented in accordance with its terms (including compensation of affected persons based on the detailed engineering design estimates confirming pipeline alignment), as verified by an independent body or person.

#### Labor Standards and Health

16. The Borrower shall cause UWSCG to ensure monitoring of the social impacts throughout the implementation of the Project in consultation with local governments, local communities and nongovernment organizations. UWSCG shall ensure that all civil works contractors: (a) comply with all applicable labor laws of the Borrower; (b) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Project; (c) disseminate information at worksites on health safety (including HIV prevention programs) for those employed during construction; (d) maintain equal pay to men and women for work of equal type; (e) provide safe working conditions and appropriate facilities for male and female workers; and (f) abstain from child labor.

#### Gender and Development

17. The Borrower shall cause UWSCG to: (a) ensure that the gender action plan prepared for the Investment Program is implemented in a timely manner over the Investment Program period; and (b) submit semiannual reports to ADB.

#### Governance and AntiCorruption

18. The Borrower and UWSCG 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. This includes ensuring that 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 Project Executing Agency and implementing agencies and all contractors, suppliers, consultants and other service providers as they relate to the Project.