
LOAN NUMBER 3078-GEO (SF)

LOAN AGREEMENT
(Special Operations)

(Urban Services Improvement Investment Program – Project 3)

between

GEORGIA

and

ASIAN DEVELOPMENT BANK

DATED 19 DECEMBER 2013

GEO 43405

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 19 December 2013 between GEORGIA (“Borrower”) and ASIAN DEVELOPMENT BANK (“ADB”).

WHEREAS

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

(B) by a periodic financing request dated 24 May 2013, 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”) as the implementing agency, under the oversight of Ministry of Regional Development and Infrastructure (“MRDI”) of the Borrower as the executing agency, and for this purpose the Borrower will make available to UWSCG 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) “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 subparagraphs 2(d) and 2(e) of Schedule 1 to this Loan Agreement;

(c) “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;

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

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

(f) “Facility” means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(g) “GIS” means geographic information system;

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

(i) “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;

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

(k) “Investment Program” means the Urban Services Improvement Investment Program;

(l) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(m) “LARF” means the Land Acquisition and Resettlement Framework for the Investment Program, as agreed between the Borrower and ADB, as amended from time to time;

(n) "LARP" means the Land Acquisition and Resettlement Plan for the Project prepared in accordance with the LARF;

(o) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(p) "MRDI" the Ministry of Regional Development and Infrastructure of the Borrower;

(q) "PAM" means the project administration manual for the Project dated 18 November 2013 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;

(r) "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 24 May 2013;

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

(t) "Procurement Plan" means the procurement plan for the Project dated 18 November 2013 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;

(u) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MRDI or any successor thereto acceptable to ADB, which is responsible for carrying out the Project;

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

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

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

(y) "UWSCG" means the United Water Supply Company of Georgia Limited Liability Company established under the laws and regulations of the Borrower with its current registered address at 76b, Vazha Pshavela Ave., Tbilisi 0186, Georgia, or any successor thereto acceptable to ADB;

(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; and

(aa) "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 sixty-four million two hundred five thousand Special Drawing Rights (SDR 64,205,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in subsection (a) of 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 May and 15 November 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 Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan 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 2% per annum during the grace period and thereafter and a repayment period of 25 years including a grace period of 5 years. Foreign exchange risk shall be borne by UWSCG.

(b) 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 and the Project Agreement.

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

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. Withdrawals from the Loan Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2018 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

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

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

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable 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 60 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) 2261 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

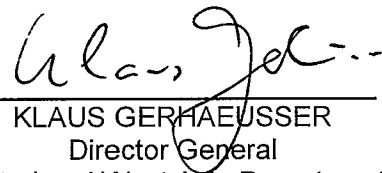
By



NODAR KHADURI
Minister of Finance

ASIAN DEVELOPMENT BANK

By



KLAUS GERHAEUSSER
Director General
Central and West Asia Department

SCHEDULE 1

Description of the Project

1. The objective of the Investment Program is to improve water supply and sanitation services in secondary towns of Georgia.

2. The Project shall comprise:

Component 1 – Infrastructure Improvement Component

- (a) augmentation of the water supply system in the town of Kutaisi through construction of reservoirs, pumping stations, and corresponding water transmission mains, and distribution network;
- (b) construction of a new water supply and sewerage system in the town of Ureki including a water distribution network, sewage collection system and sewage treatment plant;
- (c) procurement of sewer cleaning vehicle and water quality testing laboratory equipment;

Component 2 – Institutional Effectiveness Component

- (d) provision of support (i) for GIS mapping of water and sewerage network for secondary towns, and (ii) for human resource development through WSS management program in Georgian universities; and
- (e) provision of support to UWSCG for (i) creation of sex-disaggregated consumer database to develop targeted marketing campaigns, (ii) establishing customer care units in WSS service centers, and (iii) project implementation and management, including to support the Investment Program management office, and capacity development and training.

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

4. The Project is expected to be completed by 31 December 2017.

SCHEDULE 2**Amortization Schedule****(Urban Services Improvement Investment Program - Project 3)**

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Special Drawing Rights)*</u>
15 May 2019	1,605,125.00
15 November 2019	1,605,125.00
15 May 2020	1,605,125.00
15 November 2020	1,605,125.00
15 May 2021	1,605,125.00
15 November 2021	1,605,125.00
15 May 2022	1,605,125.00
15 November 2022	1,605,125.00
15 May 2023	1,605,125.00
15 November 2023	1,605,125.00
15 May 2024	1,605,125.00
15 November 2024	1,605,125.00
15 May 2025	1,605,125.00
15 November 2025	1,605,125.00
15 May 2026	1,605,125.00
15 November 2026	1,605,125.00
15 May 2027	1,605,125.00
15 November 2027	1,605,125.00
15 May 2028	1,605,125.00
15 November 2028	1,605,125.00
15 May 2029	1,605,125.00
15 November 2029	1,605,125.00
15 May 2030	1,605,125.00
15 November 2030	1,605,125.00
15 May 2031	1,605,125.00
15 November 2031	1,605,125.00
15 May 2032	1,605,125.00
15 November 2032	1,605,125.00
15 May 2033	1,605,125.00
15 November 2033	1,605,125.00
15 May 2034	1,605,125.00
15 November 2034	1,605,125.00
15 May 2035	1,605,125.00
15 November 2035	1,605,125.00

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Special Drawing Rights)*</u>
15 May 2036	1,605,125.00
15 November 2036	1,605,125.00
15 May 2037	1,605,125.00
15 November 2037	1,605,125.00
15 May 2038	1,605,125.00
15 November 2038	1,605,125.00
TOTAL	64,205,000.00

* 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 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 4 is for financing 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 Goods, Works 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 until the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, has been duly authorized and executed and delivered on behalf of, the Borrower, MRDI and UWSCG, and is legally binding upon the parties thereto in accordance with its terms.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Urban Services Improvement Investment Program – Project 3)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis of Withdrawal from the Loan Account
1	Works	58,716,000	84.75% of total expenditure claimed
2	Goods	838,000	84.75% of total expenditure claimed
3	Consulting Services	1,493,000	84.75% of total expenditure claimed
4	Interest Charge	2,424,000	100% of amounts due
5	Unallocated	734,000	
	Total	64,205,000	

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 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 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 cause UWSCG not to award any Works contract for the Project which involves environmental impacts until UWSCG has:
 - (a) obtained the final approval of the applicable IEE from the appropriate authority of the Borrower; and
 - (b) incorporated the relevant provisions from the applicable EMP into the Works contract.
6. The Borrower shall cause UWSCG not to award any Works contract involving involuntary resettlement impacts until UWSCG has prepared and submitted to ADB the final LARP based on the Project's detailed design, and obtained ADB's clearance of such LARP.

Consulting Services

7. Except as ADB may otherwise agree, the Borrower shall cause UWSCG to apply quality- and cost-based selection for selecting and engaging Consulting Services.
8. The Borrower shall cause UWSCG to recruit individual consultants for the Project subcomponents indicated in subparagraph 2(e) of Schedule 1 to this Loan Agreement in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

9. (a) The Borrower shall cause UWSCG to 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 cause UWSCG to 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.

10. The Borrower shall cause UWSCG to 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

11. 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.

12. In the case of a contract of Goods or Works, which is subject to ADB's prior review, the Borrower shall cause UWSCG to seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:

- (a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Loan Closing Date; and
- (b) increases in aggregate of the original price by more than 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

13. In the case of a contract for Goods or Works, which is subject to ADB's post review, ADB shall review the required contract modification or waiver and respond to the Borrower as soon as practicable, but not later than 1 month after the receipt of the required document.

14. The Borrower shall cause UWSCG to provide to ADB copies of all time extensions, modifications or waivers to the contracts (including charge orders) within 1 month following amendment of the contract.

SCHEDULE 5

Execution of Project; 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 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 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 the 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 take steps to strengthen GNEWSRC's 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 2014 to improve services, enhance revenue and reduce system loss; and (b) achievement of financial stability through attainment of an operating ratio (i.e., the ratio of expenditure over revenue) of 1 by the end of 2019.

7. Until such time as tariff increases or other sources of income make it possible for UWSCG to meet the operating ratio defined in paragraph 6, the Borrower shall provide the funds necessary to meet the operating ratio for the years the operating ratio is not met.

8. 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.

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

Land Acquisition and Involuntary Resettlement

11. The Borrower shall ensure, and shall cause UWSCG to ensure, that all land and all rights-of-way required for the Project and all Project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the LARF; and (d) all measures and requirements set forth in the LARP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

12. Without limiting the application of the Involuntary Resettlement Safeguards, the LARF or the LARP, the Borrower shall ensure, and shall cause UWSCG to ensure, that no physical or economic displacement takes place in connection with the Project until:

- (a) the final updated LARP is approved by ADB and disclosed to affected people prior to possession of the land; and
- (b) compensation and other entitlements have been provided to affected people in accordance with the LARP.

Indigenous Peoples

13. The Borrower shall ensure, and shall cause UWSCG to ensure, that the Project does not have any indigenous peoples impact within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall, and shall cause UWSCG to, take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower relating to indigenous peoples and the SPS.

Human and Financial Resources to Implement Safeguards Requirements

14. The Borrower shall, and shall cause UWSCG to, make available necessary budgetary and human resources to fully implement the EMP and the LARP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

15. The Borrower shall ensure, and cause UWSCG to ensure, 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 applicable IEE, the applicable EMP and the LARP (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 UWSCG with a written notice of any unanticipated environmental or resettlement risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the applicable IEE, the applicable EMP or the LARP;
- (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

16. The Borrower shall, and shall cause UWSCG to, do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB within 1 month of the end of each half of the calendar year and disclose relevant information from such reports to affected people 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 applicable IEE, the applicable EMP or the LARP, 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 or the LARP promptly after becoming aware of the breach.

Prohibited List of Investments

17. The Borrower shall ensure, and shall cause UWSCG 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 and Health

18. The Borrower shall ensure, and 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

19. The Borrower shall ensure, and shall cause UWSCG to ensure, that: (a) Project Gender Action Plan (GAP) is fully implemented and monitored in a timely manner in accordance with its terms, related regulations of the Borrower and ADB's Policy on Gender and Development (1998) and adequate resources are allocated for this purpose; (b) bidding documents include provisions as specified in the GAP, including equal pay to men and women for same type of work and enabling working conditions for female workers; (c) progress in achieving the GAP targets are reflected in the Project progress reports and Project completion report; (d) targets under the GAP are achieved including, but not limited to (i) by 2017, UWSCG establishes a service center with a customer care unit staffed by at least 30% women that informs, educates, and communicates on water, hygiene and sanitation; (ii) at both the commencement and completion of Project implementation, a survey is conducted in Project locations on households' access to water integrating gender and poverty dimensions; (iii) each year during Project implementation, UWSCG prepares a yearly report on human resource development which includes gender analysis; and (iv) material steps are taken to encourage female enrollment in the Project subcomponent noted in item (ii) of subparagraph 2(d) of Schedule 1 to this Loan Agreement.

Governance and Anticorruption

20. 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.

21. The Borrower and UWSCG 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.

22. The Borrower shall cause UWSCG to disclose on its website information on (a) bidding procedures, bidders and contract awards; (b) the use of funds disbursed under the Project; (c) the physical progress of the Project; and (d) other relevant Project related information.