
LOAN NUMBER 3746-KGZ(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(Climate Change and Disaster-Resilient Water Resources Sector Project)

between

KYRGYZ REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 31 December 2018

KGZ 51081

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 20 December 2018 between KYRGYZ REPUBLIC ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) by a grant agreement between the Borrower and ADB ("Grant Agreement"), ADB has agreed to make a grant to the Borrower from ADB's Special Funds resources ("Grant") in the amount of sixteen million eight hundred thousand Dollars (\$16,800,000) for the purposes of the Project; and

(C) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital 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 ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("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 Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan and the Grant;
- (b) "Disaster Risk Management Component" means that component of the Project described in paragraph 2(c) of Schedule 1 to this Loan Agreement;
- (c) "DWR" means the Department of Water Resources and Melioration under the Ministry of Agriculture, Food Industry and Melioration of the Borrower, or any successor thereto acceptable to ADB;

- (d) "EARF" 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" means the environmental management plan for a Subproject, or, as may be required, for Hydrometeorology Installation Works, including any update thereto, incorporated in the IEE;
- (f) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (g) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan and the Grant, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (h) "Hydrometeorology Installation Works" means Works to install any hydrological and/or meteorological equipment under the Disaster Risk Management Component of the Project, including any Works to install the hydrological posts referred to in paragraph 2(c) of Schedule 1 to this Loan Agreement;
- (i) "IEE" means the initial environmental examination for a Subproject, or, as may be required, for Hydrometeorology Installation Works, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;
- (j) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (k) "Irrigation Infrastructure Component" means that component of the Project described in paragraph 2(a) of Schedule 1 to this Loan Agreement;
- (l) "KyrgyzHydromet" means the Agency for Hydrometeorology under the Ministry of Emergency Situations of the Borrower, or any successor thereto;
- (m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (n) "MOES" means the Ministry of Emergency Situations of the Borrower, or any successor thereto acceptable to ADB;
- (o) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan and the Grant;
- (p) "O&M" means operation and maintenance;

- (q) "PAM" means the project administration manual for the Project dated 19 October 2018 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) "PIU" means the Project implementation unit to be established within DWR to assist with the execution of the Project;
- (s) "Procurement Plan" means the procurement plan for the Project dated 19 October 2018 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (t) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (u) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (v) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations and the Grant Regulations (as this term is defined in the Grant Agreement) means DWR and MOES, both individually and collectively, or any successor to either of them acceptable to ADB, which is responsible for the carrying out of the Project;
- (w) "Project facilities" means the irrigation infrastructure to be protected, modernized and provided, and the equipment to be installed, piloted and provided, under the project;
- (x) "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (y) "RP" means the resettlement plan for a Subproject, or, as may be required, for Hydrometeorology Installation Works, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;
- (z) "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 RP (as applicable), including any corrective and preventative actions;
- (aa) "Services" means Consulting Services and Nonconsulting Services;
- (bb) "SPS" means ADB's Safeguard Policy Statement (2009);

- (cc) "Subproject" means a subproject under the Irrigation Infrastructure Component of the Project that meets the subproject eligibility criteria set forth in the PAM;
- (dd) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan and the Grant, including any related Nonconsulting Services and project related services that are provided as part of a single responsibility or turnkey contract; and
- (ee) "WUA" means a water user association or union of water user associations established and operating under the Law of the Kyrgyz Republic on "Unions (Associations) of Water Users and Unions of Water User Associations" adopted by the Parliament of the Kyrgyz Republic on 8 February 2002 and signed by the President of the Kyrgyz Republic on 15 March 2002, as such law may be amended from time to time.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of twenty-one million eight hundred thousand Dollars (\$21,800,000).

(b) The Loan has a principal repayment period of 24 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) 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 2.02. 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.

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

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

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 September 2025 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 4 to this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards 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 enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(ii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, the Works and the Services, 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 Grant 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 execution and delivery of the Grant Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action.

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; that the Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of 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 Finance
58 Erkindik Boulevard
Bishkek 720040
Kyrgyz Republic

Facsimile Number:

(996) 312 661 645

For ADB


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

Facsimile Numbers:

(632) 636-2444
(632) 636-2424

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.

KYRGYZ REPUBLIC

By 
Authorized Representative
Baktygul Jeenbaeva
Minister of Finance

ASIAN DEVELOPMENT BANK

By 
CANDICE MCDEIGAN
Country Director
Kyrgyz Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is improved climate change and disaster resilience of infrastructure and water security.
2. The Project shall comprise:
 - (a) the protection and modernization of irrigation infrastructure to improve the productivity of approximately 20,000 hectares of irrigated land, including by upgrading and constructing main (primary and secondary) canals, lower-level (intra-farm and on-farm) canals, and associated infrastructure such as protective mudflow crossing structures, cross-regulators and offtakes;
 - (b) the enhancement of (i) irrigation system management, including by developing and implementing joint DWR-WUA irrigation system management plans with, among others, water delivery scheduling and O&M financing and planning; and (ii) agricultural land management, including by developing WUA on-farm water management and agricultural management plans with, among others, irrigation scheduling, cropping patterns, and cultural methods, and providing capacity building for farmers and community members; and
 - (c) the improvement of national disaster risk management capacity, including by providing heavy machinery and special equipment for preventative and rehabilitation works at the Northern and Southern Emergency Response Centers of MOES; enhancing the asset management of such centers; providing capacity building for disaster risk management, including project planning; installing hydrological posts for KyrgyzHydromet in approximately 20 sites; and piloting an information system for enhanced data collection, processing and flood warning.
3. The Project is expected to be completed by 31 March 2025.

SCHEDULE 2

Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollar)*
15 May 2027	454,167
15 November 2027	454,167
15 May 2028	454,167
15 November 2028	454,167
15 May 2029	454,167
15 November 2029	454,167
15 May 2030	454,167
15 November 2030	454,167
15 May 2031	454,167
15 November 2031	454,167
15 May 2032	454,167
15 November 2032	454,167
15 May 2033	454,167
15 November 2033	454,167
15 May 2034	454,167
15 November 2034	454,167
15 May 2035	454,167
15 November 2035	454,167
15 May 2036	454,167
15 November 2036	454,167
15 May 2037	454,167
15 November 2037	454,167
15 May 2038	454,167
15 November 2038	454,167
15 May 2039	454,167
15 November 2039	454,167
15 May 2040	454,167
15 November 2040	454,167
15 May 2041	454,167
15 November 2041	454,167
15 May 2042	454,167
15 November 2042	454,167
15 May 2043	454,167
15 November 2043	454,167
15 May 2044	454,167
15 November 2044	454,167
15 May 2045	454,167
15 November 2045	454,167
15 May 2046	454,167
15 November 2046	454,167
15 May 2047	454,167
15 November 2047	454,167
15 May 2048	454,167

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollar)*
15 November 2048	454,167
15 May 2049	454,167
15 November 2049	454,167
15 May 2050	454,167
15 November 2050	<u>454,151</u>
TOTAL	21,800,000

* 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 of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure and 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 the Category "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

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

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	DWR – Civil Works (Off-farm Canal and Ancillary); Equipment & Machinery; O&M; and Services	10,390,973	76.86% of total expenditure claimed*
2	MOES – Civil Works; Equipment & Machinery; O&M; and Services	10,559,541	76.86% of total expenditure claimed*
3	Interest during Implementation	849,486	100% of amounts due
	TOTAL	21,800,000	

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

SCHEDULE 4

Execution of Project

Implementation Arrangements

1. The Borrower, through DWR and MOES, shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM and its appendices. Any subsequent change to the PAM or its appendices shall become effective only after the approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM or its appendices on the one hand, and this Loan Agreement or the Grant Agreement on the other, the provisions of this Loan Agreement and the Grant Agreement shall prevail.

Procurement

2. The Borrower, through DWR and MOES, shall ensure that:

- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
- (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements; the Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
- (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

3. The Borrower, through DWR, shall not award any Works contract for a Subproject which involves environmental impacts until DWR has:

- (a) obtained the final approval of the IEE from the State Agency of Environmental Protection and Forestry of the Borrower; and
- (b) incorporated the relevant provisions from the EMP into the Works contract.

This paragraph 3 shall apply similarly to MOES for all Hydrometeorology Installation Works that are covered by an IEE and EMP.

4. The Borrower shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the Borrower has prepared and submitted to ADB the final RP for such Subproject based on the Subproject's detailed design and obtained ADB's clearance of such RP. This paragraph 4 shall apply similarly to all Hydrometeorology Installation Works that are covered by an RP.

Environment

5. The Borrower, through DWR and MOES, shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project, each Subproject, all Hydrometeorology Installation Works, 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

6. The Borrower, through DWR and MOES, shall ensure that all land and all rights-of-way required for the Project, each Subproject, all Hydrometeorology Installation Works, 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 RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

7. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or any RP, the Borrower, through DWR, shall ensure that no physical or economic displacement takes place in connection with any Subproject until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP for the Subproject; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP for the Subproject.

This paragraph 7 shall apply similarly to all Hydrometeorology Installation Works that are covered by an RP.

Indigenous Peoples

8. The Borrower, through DWR and MOES, shall 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, through DWR and/or MOES (as the case may be), shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

9. The Borrower, through DWR and MOES, shall make available necessary budgetary and human resources to fully implement the EMPs and the RPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Borrower, through DWR and MOES, shall 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 relevant IEE, EMP and RP (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 Borrower with a written notice of any unanticipated environmental or resettlement risks or impacts that arise during construction, implementation or operation of the Subproject or Hydrometeorological Installation Works (as the case may be) that were not considered in the relevant IEE, EMP or RP;
- (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

11. The Borrower, through DWR and MOES, shall do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of any Subproject or Hydrometeorological Installation Works that were not considered in the relevant IEE, EMP or RP, 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 an EMP or RP promptly after becoming aware of the breach.

Prohibited List of Investments

12. The Borrower, through DWR and MOES, shall ensure that no proceeds of the Loan or Grant 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

13. The Borrower, through DWR and MOES, shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower, through DWR and MOES, 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) allow freedom of association and effectively recognize the right to collective bargaining; 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.

14. The Borrower, through DWR and MOES, shall strictly monitor compliance with the requirements set forth in paragraph 13 above and provide ADB with regular reports.

Gender and Development

15. The Borrower, through DWR and MOES, shall 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; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Counterpart Support

16. The Borrower shall make available all counterpart funds required for the timely and effective implementation of the Project, including for any shortfall of funds or cost overrun, through providing annual budget allocations and releasing applicable funds in a timely manner. In addition, the Borrower shall provide all necessary support to DWR and MOES and ensure that DWR and MOES have sufficient funds to satisfy all liabilities arising from any Works, Goods and/or Services contract under the Project.

Operational Covenants - DWR

17. The Borrower, through DWR, shall appraise and select all Subprojects in accordance with the criteria and procedures set out in the PAM. The Borrower, through DWR,

shall ensure that the selection of sites for the feasibility study of potential Subprojects, and the selection of sites for the implementation of selected Subprojects, are undertaken in accordance with criteria and procedures agreed upon between DWR and ADB as set out in the PAM and its appendices.

18. The Borrower, through DWR, shall ensure that each Subproject is implemented in accordance with applicable design and technical specifications and construction norms satisfactory to ADB, and construction supervision, quality control and contract management are performed in accordance with best international industry practice. The Borrower, through DWR, shall ensure that the detailed design of each Subproject incorporates the findings of the climate risk assessment that was undertaken as part of the feasibility study of the Subproject.

19. (a) The Borrower, through DWR, shall ensure that all Project facilities are operated and maintained, in an effective and sustainable manner, in accordance with the applicable laws, regulations and standards of the Borrower and, in other respects not covered by such laws, regulations and standards, in accordance with best international industry practice.

(b) The Borrower, through DWR, shall timely develop, approve, adopt and implement a joint WUA-DWR sustainable O&M plan for each irrigation infrastructure to be protected and modernized under the Project. As set out in the PAM and its appendices, each such plan shall include, but shall not be limited to, (i) a water delivery schedule and (ii) an asset management plan including an O&M budget and cost sharing. The Borrower, through DWR, shall ensure that budgetary and other resources are allocated timely and provided promptly as necessary for the O&M of each irrigation infrastructure to be protected and modernized under the Project, and, at any given time, the amount of such budgetary and other resources shall not be less than the total sum required, at that time, to cover the O&M expenditures indicated in the O&M budget referred to in this sub-paragraph (b).

(c) The Borrower, through DWR, shall ensure the timely development and implementation of agriculture and on-farm water management plans under the Project. As set out in the PAM and its appendices, each such plan shall include, but shall not be limited to, (i) cropping patterns including introduction and diversification of crops and (ii) irrigation methods and scheduling. The Borrower, through DWR, shall ensure that each such plan shall be endorsed by the Council (established and operating under the applicable laws and regulations of the Borrower on WUAs) managing the WUA that will be implementing the plan.

Operational Covenants - MOES

20. (a) The Borrower, through MOES, shall ensure that all equipment and information systems installed, piloted or provided under the Disaster Risk Management Component of the Project are operated and maintained appropriately and in accordance with the standards and requirements prescribed by the applicable laws and regulations of the Borrower, and adequate budgetary and other resources are promptly provided for such O&M. The Borrower, through MOES, shall ensure that adequate, appropriate and timely arrangements and resources are in place for the preventive and standard maintenance of the said equipment and information systems after their warranty periods expire. The Borrower, through MOES, shall timely develop and implement sustainable asset management and maintenance plans for the heavy equipment to be provided to the Northern and Southern Emergency Response Centers of MOES.

(b) The Borrower, through MOES, shall ensure that all MOES divisions, offices and units, including MOES associated entities and centers, that receive and operate the equipment and information systems installed, piloted or provided under the Disaster Risk Management Component of the Project are adequately staffed with personnel who have been fully trained, in accordance with the requirements of and as otherwise contemplated by the PAM, to operate and maintain them.

(c) The Borrower, through MOES, shall ensure that all heavy machinery and associated equipment provided under the Disaster Risk Management Component of the Project is used only by MOES, or a government agency duly authorized by MOES, and only for the purpose of preventative and recovery works related to disaster risk management, including the maintenance of structures provided under the Project to protect irrigation infrastructure from flood and mudflow. The Borrower, through MOES, shall ensure that such equipment is not leased or otherwise permitted to be used by any third party for any construction or other commercial activity.

(d) The Borrower, through MOES, shall ensure that all hydrological and/or meteorological equipment and information systems provided under the Disaster Risk Management Component of the Project are, in accordance with the applicable laws and regulations of the Borrower, transferred and/or made available for use by KyrgyzHydromet promptly after their provision.

Governance and Anticorruption

21. The Borrower, DWR and MOES 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.

22. The Borrower, DWR and MOES 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.

23. The Borrower, through DWR and MOES, shall provide updated information on the Project on their websites, including information on performance, business opportunities, bidding process and guidelines, outcome of biddings, and summary progress reports.