LOAN NUMBER 3727-SRI(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(Health System Enhancement Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

ASIAN DEVELOPMENT BANK

DATED 26 October 2018

SRI 51107

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 26 October 2018 between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) by a grant agreement of even date herewith between the Borrower and ADB ("Grant Agreement"), ADB has agreed to make available to the Borrower a grant from ADB's Special Funds resources ("Grant") in the amount of twelve million five hundred thousand Dollars ($12,500,000) for the purpose of the Project;

(C) the Project will be carried out by the Borrower through its Ministry of Health, Nutrition and Indigenous Medicine as Project Executing Agency (as defined hereinafter), and the Provincial Councils of the Project Provinces (as defined hereinafter) as implementing agencies, and for this purpose the Borrower will make available to the Project Executing Agency and the implementing agencies the proceeds of the loan provided for herein; and

(D) 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) "Environmental Assessment and Review Framework" or "EARF" means the environmental assessment and review framework for the Project, including any update thereto, agreed between the Borrower and ADB and incorporated in the PAM;

(c) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

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

(e) "GAP" means the gender action plan for the Project, including any updates thereto, as agreed between the Borrower and ADB;

(f) "GIS" means geographical information system;

(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 related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;

(h) "Indigenous Peoples Plan" or "IPP" means the indigenous peoples plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(i) "Initial Environmental Examination" or "IEE" means each initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(j) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);

(k) "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;

(l) "PAM" means the project administration manual for the Project dated 31 August 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;

(m) "PHC" means primary health care;

(n) "PHC Innovation Fund" means the Grant proceeds allocated for implementing Part A(d) of the Project;

(o) "Procurement Plan" means the procurement plan for the Project dated 31 August 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;

(p) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);

(q) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);

(r) "Project Executing Agency" for the purpose of, and within the meaning of, the Loan Regulations means the Borrower's Ministry of Health, Nutrition and Indigenous Medicine, or any successor thereto acceptable to ADB;

(s) "Project Provinces" means the Uva, Sabaragamuwa, Central and North Central provinces of the Borrower;

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

(u) "Services" means Consulting Services and Nonconsulting Services;

(v) "Subproject" means a subproject under Part A(a) of the Project as described in Schedule 1 to this Loan Agreement and identified in Annex 4 to PAM; and

(w) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of thirty-seven million five hundred thousand Dollars ($37,500,000).

(b) The Loan has a principal repayment period of 20 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 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.

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 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 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 May 2024 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)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works, and 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 Grant shall have become liable to suspension or cancellation in accordance with the terms of 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 above 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 Grant Agreement shall have been duly executed and delivered, and shall have become legally binding upon the Borrower, in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

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

ARTICLE VII

Miscellaneous

Section 7.01. The Secretary of the Ministry of Finance and Mass Media, the Deputy Secretary to the Treasury, and the Director General of the Department for External Resources of the Borrower is each 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:

<u>For the Borrower</u>

Secretary
Ministry of Finance and Mass Media
Colombo 1
Sri Lanka

Copy to: Deputy Secretary to the Treasury
Director General of the Department for External Resources

Facsimile Numbers:

(94-11) 243-3349
(94-11) 244 7633.

<u>For ADB</u>

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2449.

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.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By ____________________________
R.H.S. SAMARATUNGA
Secretary to the Treasury
Ministry of Finance

ASIAN DEVELOPMENT BANK

By ____________________________
SRI WIDOWATI
Country Director
Sri Lanka Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve efficiency, equity, and responsiveness of the PHC system of the Borrower.

2. The Project shall comprise:

Part A: Enhancing PHC in the Project Provinces

(a) upgrading and rehabilitating approximately 135 curative primary medical care units and divisional hospitals, including providing equipment for improving laboratory, emergency treatment, dental and noncommunicable disease-related services;

(b) renovating and refurbishing at least one field health center for each of the 127 medical-officer-of-health areas, including providing medical equipment for such centers, conducting staff training in nutrition counseling, and designing promotional strategies for community health and nutrition;

(c) providing support for developing and implementing a communication campaign strategy to increase health seeking behavior to use PHC, including training of staff, preparing health promotion materials, and conducting outreach activities; and

(d) providing support for testing models to improve PHC, including implementing strategies for improving PHC using funding under the PHC Innovation Fund.

Part B: Strengthening of health information and disease surveillance

(a) strengthening the medical information system to provide real-time sharing of health information vertically and horizontally across health facilities and across different episodes of patient care, including disease surveillance and GIS mapping functionalities for timely reporting of notifiable diseases to enhance health security; and

(b) providing support for (i) implementing international health regulations recommendations to strengthen core capacities for ports of entry and inbound health assessment, including providing equipment required to meet the core capacity levels to all eight ports of entry and enhancing the mobility of the quarantine unit at two designated ports and strengthening the web-based surveillance system for notifiable diseases managed by the quarantine unit; (ii) training health personnel related to use of the quarantine manual, surveillance, and vector control; and (iii) reviewing and developing inbound assessment guidelines for the new inbound migrant screening facility.

Part C: Supporting policy development, capacity building, and project management

(a) providing strategic support in the form of consulting services and workshops for various policy initiatives of the Project Executing Agency, including (i) developing essential health services packages for noncommunicable diseases and emergency services; (ii) developing clusters to explore strategies for strengthening PHC under the PHC Innovation Fund; and (iii) planning for personnel workforce;

(b) providing support to improve the capacity of the Project Executing Agency for nutrition and health promotion, cluster planning and management, and training in procurement and financial management; and

(c) providing support for (i) coordinating central and provincial project management; (ii) operating the project management unit and project implementation units; (iii) implementing the GAP; (iv) monitoring environmental and social safeguards; (v) establishing a project planning and results-monitoring system; and (vi) conducting baseline and endline surveys.

3. The Project is expected to be completed by 30 November 2023.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in US Dollars*)
15 November 2023	937,500
15 May 2024	937,500
15 November 2024	937,500
15 May 2025	937,500
15 November 2025	937,500
15 May 2026	937,500
15 November 2026	937,500
15 May 2027	937,500
15 November 2027	937,500
15 May 2028	937,500
15 November 2028	937,500
15 May 2029	937,500
15 November 2029	937,500
15 May 2030	937,500
15 November 2030	937,500
15 May 2031	937,500
15 November 2031	937,500
15 May 2032	937,500
15 November 2032	937,500
15 May 2033	937,500
15 November 2033	937,500
15 May 2034	937,500
15 November 2034	937,500
15 May 2035	937,500
15 November 2035	937,500
15 May 2036	937,500
15 November 2036	937,500
15 May 2037	937,500
15 November 2037	937,500
15 May 2038	937,500
15 November 2038	937,500
15 May 2039	937,500
15 November 2039	937,500
15 May 2040	937,500
15 November 2040	937,500
15 May 2041	937,500
15 November 2041	937,500
15 May 2042	937,500
15 November 2042	937,500
15 May 2043	937,500
Total	37,500,000

* 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 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, in consultation with 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, in consultation with 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 to finance 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 Services, subject to a maximum amount equivalent to 20% of the Loan amount.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing ($) Category	Basis for Withdrawal from the Loan Account
1	Works	21,670,000	100% of total expenditure claimed*
2	Medical equipment	4,890,000	88.3% of total expenditure claimed*
3	Vehicles	4,020,000	100% of total expenditure claimed**
4	Consulting Services	3,430,000	100% of total expenditure claimed*
5	Interest Charge	1,990,000	100% of amounts due
6	Unallocated	1,500,000	
	TOTAL	37,500,000	

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

** ADB will finance cost of vehicles including applicable duties but excluding local indirect taxes (value-added tax [VAT] and Nation Building Tax [NTB], as applicable)

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

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

Procurement

2. The Borrower shall cause the Project Executing Agency to 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 the Project Executing Agency shall ensure that no Works contract for a particular Subproject will be awarded until:

(a) if required under the laws and regulations of the Borrower, the Central Environmental Authority of the Borrower has granted the final approval of the IEE for that Subproject; and

(b) the Borrower through the Project Executing Agency has incorporated the relevant provisions from the relevant EMP into the Works contract.

Schedule 4

Safeguards

Environment

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

Involuntary Resettlement and Indigenous Peoples

5. The Borrower through the Project Executing Agency shall ensure that the Project does not have any indigenous peoples or involuntary resettlement impacts, all within the meaning of ADB's Safeguard Policy Statement (2009). In the event that the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with ADB's Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

6. The Borrower shall make available or cause the Project Executing Agency to make available necessary budgetary and human resources to fully implement the respective EMP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Borrower through the Project Executing Agency 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 respective IEE and EMP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;

(b) make available a budget for all such environmental and social measures; and

(c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the respective IEE or EMP.

Safeguards Monitoring and Reporting

8. The Borrower through the Project Executing Agency shall do the following:

(a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;

(b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the respective IEE or EMP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and

(c) report any actual or potential breach of compliance with the measures and requirements set forth in the respective EMP promptly after becoming aware of the breach.

Prohibited List of Investments

9. The Borrower through the Project Executing Agency 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

10. The Borrower through the Project Executing Agency shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) 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.

11. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 10 above and provide ADB with regular reports.

Gender and Development

12. The Borrower 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; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include the following:

(i) by 2020, sex disaggregated data shall be included in the electronic health surveillance system of the Borrower in the Project Provinces;

(ii) by 2020, 11 units of the Family Health Bureau of the Ministry of Health, Nutrition and Indigenous Medicine have integrated gender dimensions into all of their policies and strategic plans; and

(iii) by 2023, over 25% of PHC staff (of which at least 35% are women) of the Project Provinces have received training on gender concepts.

Counterpart Funds

13. The Borrower shall ensure:

(a) sufficient counterpart funds from its budget for each fiscal year, in a timely manner, for the efficient implementation of the Project; and

(b) adequate funds towards operations and maintenance of Project facilities, through budgetary allocations or other means, to be provided to the Project Executing Agency, during and after Project completion.

Financial Matters

14. The Borrower shall ensure or cause the Project Executing Agency to ensure that the agreed financial management action plan set out in the PAM is implemented within the stipulated time frame and the progress toward achieving the targets are monitored and reported to ADB.

Governance and Anticorruption

15. The Borrower, the Project Executing Agency and the implementing agencies 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.

16. The Borrower, the Project Executing Agency and the implementing agencies 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.