
LOAN NUMBER 3122-INO

LOAN AGREEMENT
(Ordinary Operations)

(Neighborhood Upgrading and Shelter Project – Phase 2)

between

REPUBLIC OF INDONESIA

and

ASIAN DEVELOPMENT BANK

DATED April 23, 2014

INO 46094

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated April 23, 2014 between REPUBLIC OF INDONESIA ("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; and

(B) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein.

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("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, however, to the following modifications:

(a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit. (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(b) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that

will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(c) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

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) "BKM" means *Badan Keswadayaan Masyarakat*, which is a Community implementation organization in a Participating Neighborhood;

(b) "block grant" means the grant that the Borrower shall transfer to a selected Community to finance the construction of basic infrastructure facilities in Participating Neighborhoods under Output 2 of the Project;

(c) "BPS" means the National Bureau of Statistics of the Borrower or any successor thereto;

(d) "CDD" means the community-driven development approach in which communities are active participants that prioritize their development needs and compete for resources by preparing proposals, while funds are directly channeled to the communities to carry out the proposed activities;

(e) "Community" means a group of residents in the Participating Neighborhood;

(f) "Consolidated Investment Plan" means, for any Participating City/District, the consolidated investment plan for basic infrastructure upgrading under Output 2 of the Project, which aggregates and is based on the NUAPs of the Participating Neighborhoods in such Participating City/District;

(g) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(h) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(i) "DGHS" means Directorate General of Human Settlements under MPW or any successor thereto;

(j) "Environmental Assessment and Review Framework" or "EARF" means the environmental assessment and review framework prepared for the Project in accordance with the Safeguard Policy Statement;

(k) "Environmental Impact Assessment" or "EIA" means each of the environmental impact assessments for Subprojects, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(l) "Environmental Management Plan" or "EMP" means each of the environmental management plans for Subprojects, including any update thereto, incorporated in the EIAs or IEEs;

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

(n) “Gender Action Plan” or “GAP” means the gender action plan prepared for the Project and set out in one of the web-linked documents of the RRP;

(o) “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;

(p) “Housing and Settlements Steering Committee” means the Project oversight body and as further described in the PAM;

(q) “Initial Environmental Examination” or “IEE” means each of the initial environmental examinations for the Subprojects, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB and DGHS;

(r) “LCO” means the local coordinating office in each Participating City/District;

(s) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(t) “MPW” means the Borrower’s Ministry of Public Works or any successor thereto;

(u) “NSD” means the New Site Development in locations within the Participating Cities/Districts under Output 3;

(v) “NUAP” means a Neighborhood Upgrading Action Plan prepared by a Participating Neighborhood to reflect the infrastructure upgrading priorities identified in a needs assessment and to describe the type and mix of works, including technical designs, cost estimates and initial O&M plans, in the form finally approved in the Consolidated Investment Plan;

(w) “O&M” means operation and maintenance;

(x) “Outputs” means outputs of the Project as described in Schedule 1 to this Loan Agreement;

(y) “PAM” means the project administration manual for the Project dated 30 January 2014 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;

(z) “Participating Cities/Districts” means those 20 cities/districts of the Borrower selected to participate in the Project and listed in the PAM on the basis of the Cities/Districts Selection Criteria set out in paragraph 7 of Schedule 5 to this Loan Agreement, from which neighborhoods may be nominated to participate in the Project based on satisfaction of the Neighborhood Selection Criteria;

(aa) "Participating Neighborhoods" means those neighborhoods of the Participating Cities/Districts that shall have met the neighborhood selection criteria set out in paragraph 10 of Schedule 5 to this Loan Agreement;

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

(cc) "Procurement Plan" means the procurement plan for the Project dated 30 January 2014 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;

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

(ee) "Project facilities" means the facilities to be provided or constructed under the Project;

(ff) "Resettlement Framework" or "RF" means the land acquisition and resettlement framework developed for the Project in accordance with the Safeguard Policy Statement;

(gg) "RP" means each of the resettlement plans for the Subprojects, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB and DGHS;

(hh) "RRP" means the Report and Recommendation of the President of ADB to the Board of Directors for the Project;

(ii) "RTRW" means for any particular area, a spatial plan;

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

(kk) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EARF, RF, EMPs and RPs, including any corrective and preventative actions;

(ll) "SIAP" means the city-wide slum improvement action plan in a Participating City/District;

(mm) "SPPIP" means for any particular city/district, a strategy for the development of urban settlement and infrastructure;

(nn) "Subproject" means a specific development project in (i) a Participating Neighborhood with respect to upgrading or construction of basic infrastructure facilities, or (ii) a Participating City/District with respect to a New Site Development, in each case approved by a local government, which is to be financed in whole or in part by the Loan proceeds and

which satisfies the criteria set out or referred to in paragraphs 14 or 21 respectively of Schedule 5 to this Loan Agreement;

(oo) "Subproject Contract" means a contract between the BKM for a Participating Neighborhood and the corresponding Participating City/District pertaining to the implementation of a particular Subproject for upgrading or construction of basic infrastructure under Output 2 of the Project, based upon the Works specified in the Participating City/District's Consolidated Investment Plan; and

(pp) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of seventy-four million four hundred thousand dollars (\$74,400,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 12 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 interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 March and 1 September in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project.

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. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

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. The Loan Closing Date for the purposes of Section 9.02 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. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

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

Section 4.02. The Borrower shall make available, or cause to be made available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. (a) In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

(b) The Borrower through the Project Executing Agency shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. The Borrower through the Project Executing Agency shall enable ADB's representatives to review the Project, inspect the Goods and Works, and obtain any relevant records and documents.

Section 4.06. (a) The Borrower through the Project Executing Agency shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures) 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 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower through the Project Executing Agency 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 Project Executing Agency, unless the Borrower through the Project Executing Agency shall otherwise agree.

Section 4.07. The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

ARTICLE V

Effectiveness

Section 5.01. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 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 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Directorate General of Debt Management
Frans Seda Building
Jln. Dr. Wahidin Raya No. 1
Jakarta 10710, Indonesia

For Correspondence

Attn: Directorate of Loans and Grants

Facsimile Number:

(62-21) 381 2859.

For Disbursement

Attn: Directorate of Evaluation, Accounting and Settlement

Facsimile Number:

(62-21) 384 3712.

For ADB

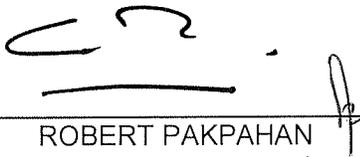
Indonesia Resident Mission
Gedung BRI II, 7th Floor
Jl. Jend. Sudirman Kav. 44-46
Jakarta 10210, Indonesia

Facsimile Number:

(62-21) 251 2749.

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.

REPUBLIC OF INDONESIA

By 
ROBERT PAKPAHAN
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
ADRIAN RUTHENBERG
Country Director
Indonesia Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve living conditions in urban areas through improved infrastructure and access to service delivery in selected poor urban neighborhoods in the Participating Cities/Districts.
2. The Project shall comprise three Outputs:
 - (a) **Output 1: Institutional capacities for managing pro-poor urban development are strengthened** – Under this Output, the Project shall provide capacity building, including training programs, for each Participating City/District, in respect of: (i) community-driven settlement upgrading and new sites development; (ii) awareness building for Community members on sanitation and hygiene; (iii) Project management (including implementation arrangements, procurement of contractors and community procurement); (iv) public private partnerships for NSD (with special focus on the poor); and (v) operation and maintenance of upgraded facilities and NSD areas through Community-based efforts.
 - (b) **Output 2: Upgrading infrastructure in Participating Neighborhoods** – Under this Output, the Project shall provide (i) block grants to the Participating Neighborhood to upgrade basic infrastructure; and (ii) funding to the Participating Cities/Districts to construct and upgrade infrastructure.
 - (c) **Output 3: New settlements for poor families are established** – Under this Output, the Project shall establish, for each NSD, a model of a partnership between central government, local administrations, developers, and financial institutions to provide housing for poor people, in which for the qualifying Subprojects (i) local governments will provide land from their own resources and issue land titles for potential new house owners, which are required as collaterals to receive loans from financial institutions; (ii) MPW will provide the basic infrastructure financed by the Loan proceeds; (iii) private developers will pre-finance the house construction, and coordinate connections to the main networks of service providers (water and electricity); (iv) financial institutions will provide loans to poor families to buy (or construct) new houses; and (v) NGOs, in close cooperation with the local administration, will organize socialization campaigns to explain the scheme among poor families, develop transparent criteria to select poor beneficiary families to be eligible to apply under the new site development scheme, and facilitate the selection process.
3. Consulting Services shall be provided under all Outputs.
4. The Project is expected to be completed by 31 December 2017.

SCHEDULE 2**Amortization Schedule****(Neighborhood Upgrading and Shelter Project – Phase 2)**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 September 2020	3.091282
1 March 2021	3.168564
1 September 2021	3.247778
1 March 2022	3.328973
1 September 2022	3.412197
1 March 2023	3.497502
1 September 2023	3.584939
1 March 2024	3.674563
1 September 2024	3.766427
1 March 2025	3.860588
1 September 2025	3.957102
1 March 2026	4.056030
1 September 2026	4.157431
1 March 2027	4.261366
1 September 2027	4.367901
1 March 2028	4.477098
1 September 2028	4.589026
1 March 2029	4.703751
1 September 2029	4.821345
1 March 2030	4.941879
1 September 2030	5.065426
1 March 2031	5.192061
1 September 2031	5.321863
1 March 2032	5.454908
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. 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

4. 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 (Neighborhood Upgrading and Shelter Project – Phase 2)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Works	65,000,000	100% of total expenditure claimed*
2	Training and Workshops	1,900,000	100% of total expenditure claimed*
3	Consulting Services	7,500,000	100% of total expenditure claimed*
	Total	74,400,000	

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

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
 - (a) National Competitive Bidding; and
 - (b) Community Participation in Procurement.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

National Competitive Bidding

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

Community Participation in Procurement

6. The Borrower may use community participation in procurement for Works contracts relating to Output 2 basic infrastructure upgrading in accordance with the agreed procedures set out in the Procurement Plan.

Conditions for Award of Contract

7. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until:
 - (a) the final approval of the IEE from the Ministry of Environment has been obtained; and
 - (b) the relevant provisions from the EMP into the Works contract have been incorporated.

8. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until the Project Executing Agency through the corresponding Participating City/District has prepared and submitted to ADB the EMP and has incorporated the relevant provisions from the EMP into the Works contract for such Subproject.

9. The Borrower shall not award any Works contract for a Subproject which involves involuntary resettlement impacts until the Project Executing Agency through the corresponding Participating City/District has prepared and submitted to ADB the final RP for such Subproject based on the relevant detailed design and obtained ADB's clearance of such RP.

10. The Borrower shall not award any Works contracts financed under the Loan unless the Works are based on an approved Subproject and a Subproject Contract has been signed between the relevant BKM and the Project Executing Agency based on the format acceptable to ADB, including (i) a requirement to show evidence of Community facilitation; (ii) details of the design of Project facilities to be constructed under the Subproject; (iii) a Community O&M plan for the Project facilities; and (iv) respective obligations of the parties for undertaking Project activities.

Consulting Services

11. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

12. The Borrower shall recruit the individual consultants for safeguards and gender monitoring in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

13. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

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

ADB's Review of Procurement Decisions

15. Contracts procured under international competitive bidding procedures, national competitive bidding, community participation in procurement, and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower 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 through the Project Executing Agency and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Provision of Counterpart Funding

2. The Borrower shall provide counterpart funding for the Project in a timely manner, and shall provide any additional counterpart funding to cover any shortfall of funds or cost overruns. The Borrower through the Project Executing Agency shall ensure that adequate funding for operation and maintenance of the Project facilities is fully funded from the government budget.

Fund Flow

3. The Borrower shall ensure that, no later than 30 days following final selection of the Participating Neighborhoods, the proceeds of the Loan and the counterpart funding for the Project described in the foregoing paragraph, are allocated and made available in a timely manner throughout the Project implementation period, including through ensuring that budgetary allocation requests are submitted in a timely manner.

4. The Borrower shall ensure that each Participating Neighborhood shall establish a separate bank account, in the name of the BKM for such Participating Neighborhood, to fund the neighborhood-level activities to be funded under the Project. The Borrower through the Project Executing Agency shall further ensure that the amount to be transferred to the bank account shall be in three tranches with such payment modalities to be reflected in each Subproject Contract. The first tranche shall be 30% of the approved amount, the second tranche shall be 40% of the approved amount, and the last tranche shall be 30% of the approved amount. The release of each tranche shall be made upon verification of actual implementation progress against the agreed planning documentation by the LCO of the Participating City/District in which the corresponding Participating Neighborhood is located.

Slum Improvement Action Plans (SIAP)

5. The Borrower through the Project Executing Agency shall ensure that each Participating City/District shall prepare SIAP, which is a document that provides the strategies to address poverty reduction beyond infrastructure needs.

Basic Infrastructure Upgrading Through Block Grants (Output 2)Allocation of Infrastructure Upgrading Amounts to the Participating Cities/Districts

6. No later than 7 days after the Effective Date, the Borrower through the Project Executing Agency shall allocate, and notify ADB of such allocation, a specified amount of the Loan proceeds to the Participating Cities/Districts for basic infrastructure upgrading under Output 2.

City/District Selection Criteria

7. In order to be selected for participation in the Project, the Borrower through the Project Executing Agency shall ensure that the Participating Cities/Districts shall satisfy the following criteria, and shall continue to comply with the criteria in subparagraphs (a), (d) and (e) throughout the Project:

- (a) The city/district has in place an RTRW (spatial plan) and SPPIP (development strategy) which identify and provide policy guidance and planning regarding slum neighborhoods;
- (b) The city/district has at least 5,000 households living in slum neighborhoods;
- (c) At least 5% of the households living in slum neighborhoods are classified as falling in the category of the 'extreme poor';
- (d) The city/district gives its commitment that households not holding legal title to the land that they occupy shall not be excluded from participating in the Project for this reason; and
- (e) The city/district shall have supplied to the Project Executing Agency and ADB within the time period specified in the immediately following paragraph its written commitment to the Project.

8. No later than 3 months following the Effective Date, the Borrower through the Project Executing Agency shall have submitted to ADB, in respect of each Participating City/District, the signed memorandum of understanding between that Participating City/District and the Project Executing Agency in which the Participating City/District confirms:

- (a) its commitment to adopt and follow the CDD approach through which the Participating Neighborhoods are empowered to determine the type and mix of infrastructure upgrading Subprojects to be carried out, based on needs assessments conducted in the Participating Neighborhoods and reflected in the NUAPs;
- (b) its commitment to adopt and follow the city/district-wide consultation mechanism through which the Participating Neighborhoods engage in discussion with the LCO of the Participating City/District to reach a

multi-party consensus supporting the Consolidated Investment Plan which shall (i) include the NUAPs, and (ii) reflect the allocation to each Participating Neighborhood of a share in the Participating City/District's portion of the Output 2 Loan proceeds for the agreed Subprojects set out in the NUAPs; and

- (c) the list of specific actions and contributions it will take or provide to support the specific Subprojects in its territory, including but not limited to:
 - (i) establishment of the LCO with committed and experienced staff;
 - (ii) provision of additional resources, whether in cash or in kind, to support complementary infrastructure upgrading and to improve public services in slum neighborhoods; and
 - (iii) agreement to modify, if and when needed, the RTRW and SPPIP so that they may reflect and take into account information drawn from consultations with the Participating Neighborhoods.

Neighborhood Selection Criteria

9. The Borrower through the Project Executing Agency shall carry out extensive consultations with the administrations of the Participating Cities/Districts to receive and review proposals from Participating Cities/Districts for neighborhoods to participate in the Project. Participating Cities/Districts with more than 100 slum locations shall nominate between 20 and 35 neighborhoods; Participating Cities/Districts with 50 to 100 slum locations shall nominate between 15 and 20 neighborhoods; and Project Cities/Districts with fewer than 50 slum locations shall nominate up to 15 neighborhoods for participation in the Project.

10. The Borrower through the Project Executing Agency shall ensure that the Participating Neighborhoods shall be selected in a manner satisfactory to ADB in accordance with the following Neighborhood Selection Criteria:

- (a) The Participating Neighborhood must be located in a Participating City/District;
- (b) The Participating Neighborhood must be listed or characterized as a slum neighborhood in the applicable city development plan in force for the corresponding Participating City/District based on application of the BPS criteria for a slum neighborhood;
- (c) The head of the BKM must have provided to the Project Executing Agency and ADB its official confirmation in writing of:
 - (i) its interest in and willingness to participate in the Project;

- (ii) the specific contributions it will make to the planning and implementation of upgrading activities; and
- (iii) its willingness to establish or fund, as the case may be, the required O&M arrangements (if any) for the upgraded infrastructure facilities, including introduction of and payment of user fees; and

11. The Borrower through the Project Executing Agency shall ensure that, no later than 3 months following the Effective Date, upon completion of such consultation process the Project Executing Agency shall submit to ADB for endorsement the proposed final selection of the Participating Neighborhoods, endorsed by decree of the Mayor (*Bupati*) of each Participating City/District, and chosen in conformity with the Neighborhood Selection Criteria set out in the foregoing paragraph.

Community Implementing Organizations or BKMs

12. The Borrower through the Project Executing Agency shall ensure that each Participating Neighborhood shall, no later than 30 days following designation as a Participating Neighborhood, engage a BKM to support the Project in the relevant Community. The BKM may be shall facilitate members of the Community, acting individually or in task force groups to (a) assess basic infrastructure needs in the Community, (b) evaluate Community implementation capacity, (c) establish efficient planning and decision-making processes for the Community, (d) formulate Subproject investment plans, (e) prepare simple technical designs, (f) organize Works to be carried out by Community members, and (g) formulate O&M plans in respect of completed Project facilities in the corresponding Participating Neighborhood.

Procedures for the Use of Block Grants for Basic Infrastructure Upgrading

13. **Guidelines.** No later than 3 months following the Effective Date, the Borrower through the Project Executing Agency shall ensure that detailed guidance relating to eligibility criteria and procedures for use of block grant funds under Output 2 will be articulated in guidelines (*JUKLAK*) and implementation manuals (*JUKNIS*) to be developed under the Project.

14. **Subproject Features.** The Borrower through the Project Executing Agency shall ensure that the block grant for basic infrastructure shall be utilized to finance an activity or activities falling into either or both of these categories: (a) the construction and rehabilitation of basic infrastructure such as small roads, bridges, clean water supply systems and public sanitation; and (b) the rehabilitation of basic social infrastructure such as water supply and sanitation facilities at schools and health clinics. The Borrower through the Project Executing Agency shall further ensure that the block grant for basic infrastructure shall not be utilized for activities that may be harmful to the environment or located in environmentally-sensitive areas. Each Subproject shall satisfy transparent and objective criteria developed under the Project and endorsed by the Project Executing Agency and ADB as further described in the PAM, including compliance with the EARF and RF.

15. **Community-Driven Development.** The Borrower through the Project Executing Agency shall ensure that each investment to be made under the block grant for basic infrastructure shall be based on local needs as so identified by the Community within the Participating Neighborhood. The Borrower through the Project Executing Agency shall ensure that the Community in each Participating Neighborhood takes the lead in developing investment plans with assistance from the LCOs.

16. **NUAPs and Consolidated Plans.** The Borrower through the Project Executing Agency shall ensure that during the first 12 months following the Effective Date, (a) the Participating Neighborhoods shall carry out the needs assessments and prepare the NUAPs, to be endorsed by the BKM, and (b) the Participating Cities/Districts shall carry out the consultation mechanism to bring together the Participating Neighborhoods to discuss and reach consensus on the final Consolidated Investment Plan. In the event that consensus is not reached by the end of the 12 month period in any particular Participating City/District, the Project Executing Agency shall facilitate reaching of a group-wide decision based upon the approval of at least 75% of the Participating Neighborhoods in such Participating City/District.

17. **Fund Allocations.** The Borrower through the Project Executing Agency shall ensure that the allocation of funds to Participating Neighborhoods for Subprojects shall be based on the Consolidated Investment Plans which integrate the NUAPs.

18. **Approvals.** The Borrower through the Project Executing Agency shall ensure that each Consolidated Investment Plan shall be submitted to, reviewed and approved by ADB and the Project Executing Agency, together with at least 2 NUAPs per plan.

19. **Subproject Contract.** The Borrower through the Project Executing Agency shall ensure that a contract for the relevant Subproject(s) is concluded between the BKM and the Participating City/District, and a copy provided to the Project Executing Agency, in a form satisfactory to the Project Executing Agency and ADB. The agreed form for such Subproject Contracts will specify payment modalities relating to the conduct of such Subproject(s) in the 3 tranches described in paragraph 4 of this Schedule 5 above. The Project Executing Agency shall provide to ADB copies of 2 sample Subproject Contracts for confirmation, following which any modifications requested shall serve as a model for the remaining Subproject Contracts.

20. **Release of Funds.** The Borrower through the Project Executing Agency shall ensure that no release of funds or withdrawal from the Project imprest account shall be made in respect of expenditures related to Works for a Subproject under Output 2 until (i) a BKM for the corresponding Participating Neighborhood shall have been established or engaged in the Project, (ii) a separate bank account shall have been opened by the BKM for the corresponding Participating Neighborhood in accordance with paragraph 4 of Schedule 5 of this Loan Agreement; (iii) the Participating Neighborhood shall have prepared the NUAP and submitted it to the LCO of the Participating City/District; (iv) the Participating City/District shall have prepared the Consolidated Investment Plan integrating the NUAPs of such town's Participating Neighborhoods; (v) the Project Executing Agency and ADB shall have endorsed the Consolidated Investment Plan as compliant with the selection criteria for Subprojects in accordance with paragraph 17 of Schedule 5 to this Loan Agreement; and (vi) a Subproject Contract or Subproject Contracts for the relevant Subproject(s) shall have been signed between the Participating City/District and Participating Neighborhood based upon the final

NUAP and Consolidated Investment Plan for such Participating Neighborhood and Participating City/District, respectively.

New Site Development; Beneficiary Criteria; Partnership in Principle (Output 3)

21. The Borrower through the Project Executing Agency shall select the NSD locations in a manner satisfactory to ADB in accordance with the following selection criteria:

- (a) the site is located in a Participating City/District;
- (b) the land proposed for the site is available, unencumbered by competing claims or conflicting uses;
- (c) the site does not involve any resettlement or environmental risks including exposure to flooding or informal waste disposal; and
- (d) the legal title to the land for the site is held by and in the name of the Participating City/District.

22. The Borrower through the Project Executing Agency shall carry out extensive consultations with the administrations of the Participating Cities/Districts to receive and review proposals from Participating Cities/Districts for sites to be included in the NSD under Output 3 of the Project. The Borrower through the Project Executing Agency shall ensure that, no later than 6 months following the Effective Date, upon completion of such consultation process the Project Executing Agency submits to ADB for endorsement the proposed final selection of NSD locations chosen in conformity with the NSD Selection Criteria set out in the foregoing paragraph.

23. The Borrower through the Project Executing Agency shall ensure that for the continuation of the Project implementation period and subsequently (a) legal title of the land underlying the NSD sites remains with and in the name of the corresponding Participating Cities/Districts; and (b) the NSD sites do not involve any resettlement or environmental issues or risks including flooding or informal disposal of waste.

24. The Borrower through the Project Executing Agency shall design investment plans for each NSD location which involve (a) proposed beneficiary households that are able to undertake and repay the proposed loans from financial institutions to acquire the affordable cost housing to be constructed, and (b) feasible and bankable conditions under which local financial institutions may provide housing finance for the NSD.

25. The Borrower through the Project Executing Agency shall ensure that housing constructed under the NSD Output of the Project shall not be sold or resold for a period of 10 years following completion of the corresponding Subprojects.

26. The Borrower through the Project Executing Agency shall establish, support and facilitate dialogue among the multiple stakeholders, including consultations among Participating Cities/Districts, local governments, housing developers, NGOs and financial institutions, for the NSD Output including through conduct of socialization campaigns for targeted communities. The Borrower through the Project Executing Agency shall develop the

interest of potential financial institutions and housing developers and shall ensure the participation at the socialization campaign meetings of one or more financial institutions which are committed to supporting the corresponding NSD location.

27. The Borrower through the Project Executing Agency shall ensure that the NSD scheme shall integrate transparent and objective criteria for selecting poor beneficiary families of the Participating City/District who may apply.

28. No later than 18 months following the Effective Date, the Borrower through the Project Executing Agency shall ensure that each interested Participating City/District shall submit to the Project Executing Agency and ADB a full NSD proposal setting out or attaching as the case may be:

- (a) satisfactory evidence of ownership of the land underlying the proposed site;
- (b) detailed technical design with cost estimates for infrastructure to be financed by proceeds of the Loan;
- (c) the basis used for selection of the proposed housing developer;
- (d) proposed housing loan schemes offered by one or more financial institutions, including details of the loan terms, the extent of collateral required, and the protection of the rights of the individual borrowers;
- (e) transparent selection process for identification of slum residents who may be eligible to apply for and able to repay the proposed housing loans;
- (f) evidence of in-principle commitment by each of the key stakeholders in the scheme, including financial institutions, housing developer, MPW, LCO of the Participating City/District and corresponding BKM and NGOs, if any;
- (g) the IEE prepared for the NSD subproject in accordance with the EARF; and
- (h) any necessary endorsement required under the laws and regulations of the Borrower.

Safeguards

Environment

29. The Borrower shall ensure and shall cause the Project Executing Agency to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project, each Subproject, 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 (i) the respective IEE and EMP and (ii) any corrective or preventative actions (A) set forth in a Safeguards Monitoring Report or (B) which are subsequently agreed between ADB and the Borrower.

30. The Borrower shall ensure that no construction work of any kind under the Project or any Subproject shall be commenced until all applicable environmental clearances have been obtained.

31. The Borrower shall ensure that (a) the BKM's are responsible for conducting environmental screening and identifying necessary mitigation measures with relevant assistance of a technical nature, including preparing IEEs and EMPs under the EARF; (b) designated experts are responsible for managing the Project's environmental aspects; and (c) guidelines and implementation manuals for community-based civil Works (JUKLAK and JUKNIS) are adhered to as they relate to environmental screening, subject to the requirements of the EARF. The Borrower shall further ensure that the Works and Project facilities are monitored for safeguards implementation in accordance with the EARF.

32. The Borrower shall ensure that each NSD proposal shall include an IEE prepared therefor. No NSD proposal shall be endorsed in the absence of the IEE.

Land Acquisition and Involuntary Resettlement

33. The Borrower shall ensure and shall cause the Project Executing Agency to ensure that all land and all rights-of-way for the Project, each Subproject and all Project facilities are made available to the Works contractors in accordance with the schedule agreed under the related Works contract and all land use, donation or 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 (i) the respective RP, and (ii) any corrective or preventative actions (A) set forth in a Safeguards Monitoring Report or (B) which are subsequently agreed between ADB and the Borrower. The Borrower shall ensure that the Project shall not finance any Subproject requiring resettlement. In the event that a potential need for land is identified, it shall be noted in the corresponding NUAP and addressed in accordance with the RF.

34. Without limiting the application of the Involuntary Resettlement Safeguards or the RF, the Borrower and the Project Executing Agency shall ensure that no physical or economic displacement takes place in connection with the Project or any Subproject until:

- (a) compensation and other entitlements have been provided to the displaced persons under the Involuntary Resettlement Safeguards as described in and in accordance with the RF or relevant RP (if any); and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RF or relevant RP (if any).

Indigenous Peoples

35. The Borrower and the Project Executing Agency shall ensure that the Project (including all Subprojects) shall not have adverse impacts on indigenous peoples as determined under the Safeguard Policy Statement and that all Outputs shall be implemented in a culturally appropriate and participatory manner to meet the needs of various peoples of the country. The Borrower and the Project Executing Agency shall ensure that Subproject proposals are reviewed and assessed for their impacts on indigenous peoples and that mitigating measures, if applicable, are incorporated into the corresponding NUAP and Consolidated Investment Plan.

Human and Financial Resources to Implement Safeguards Requirements

36. The Borrower and the Project Executing Agency shall make available necessary budgetary and human resources to fully implement the EARF, RF and any EMP or RP later prepared thereunder.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

37. The Borrower and 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 relevant to the contractor set forth in the EARF, the RF and any EMP or RP later developed thereunder (to the extent they concern impacts on the respective affected people under the Environmental Safeguards, the Involuntary Resettlement Safeguards and the Indigenous Peoples Safeguards during construction), and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report or (ii) subsequently agreed between ADB and the Borrower;
- (b) make available a budget for all such environmental and social measures;
- (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 or any Subproject that were not considered in the EARF, RF, EMP or RP;
- (d) adequately record the condition of roads and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure to at least their pre-project condition as early as possible and no later than the completion of construction.

Safeguards Monitoring and Reporting

38. The Borrower and the Project Executing Agency shall:
- (a) submit Safeguards Monitoring Reports
 - (i) in respect of implementation of and compliance with Environmental Safeguards, EARF and any EMPs thereunder, semi-annually during construction and the implementation of the Project, EARF and the EMPs thereunder, and thereafter annually during operation (as part of the quarterly progress reports specified in the PAM), until the issuance of ADB's Project completion report unless a longer period is agreed in the environmental management plans; and
 - (ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards and of the RF and any RPs developed thereunder, semi-annually during the implementation of the Project, the RF and such RPs (as part of the quarterly progress reports specified in the PAM) until the issuance of ADB's Project completion report unless a longer period is agreed in such RPs (if any) to ADB and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards and the Involuntary Resettlement Safeguards, as applicable, 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 EARF, the RF or any EMP or RP prepared thereunder, 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 any such EMP or RP promptly after becoming aware of the breach.

Prohibited List of Investments

39. The Borrower and the Project Executing Agency shall ensure that no proceeds of the Loan are used to finance any activity included in the Prohibited Activities List.

Health Risks

40. The Borrower through the Project Executing Agency shall ensure, that: (a) training for construction workers and local communities on HIV/AIDS prevention and control methods is carried out; (b) the Works contractors disseminate information and conduct

awareness training on the risks and prevention measures of HIV/AIDS and other communicable diseases to their employees, temporary laborers and family members, and subcontractors during Project implementation; (c) measures to prevent other communicable diseases are implemented, within the construction sites, as specified in the EMP; and (d) the requirements of subclauses (b) and (c) are included in the Works contracts, monitored and reported quarterly to ADB.

Labor Standards

41. The Borrower through the Project Executing Agency shall ensure that the construction contractors: (a) provide timely payment of wages and safe working conditions to all workers; (b) pay equal wages to the female and male employees for equivalent labor; (c) not employ child labor as required by the relevant laws and regulations of the Borrower; (d) the contractors involved in the Project implementation maximize the employment of local people, particularly women and ethnic minorities, who meet the job and efficiency requirements for Project construction, operation and maintenance; and (e) such workers are provided with adequate on-the-job training and safety training.

Gender and Development

42. The Borrower through the Project Executing Agency shall ensure that the GAP as agreed between ADB and the Borrower is fully implemented and resourced, and that all activities are designed and implemented in accordance with ADB's *Policy on Gender and Development* (1998) including, but not limited to ensuring that: (i) SIAP are developed based on the needs of women and men related to public facilities; (ii) 40% of the participants in the decision-making activities are women; (iii) 20% of BKM members, in aggregate, are women; (iv) gender audits are undertaken of all Community investment plans; (v) 20% of the paid work created by the project is provided to women; (vi) 30% of trainees in all Project capacity development activities are women; (vii) 30% of user group members are women; (viii) selection criteria for the potential beneficiaries to access credit for affordable housing under Output 3 are developed and applied with prioritization for female headed households such that applications from female headed households are satisfied in first order of priority over other applications; (ix) gender training is provided to all key stakeholders of the Project; and (x) gender indicators to track GAP implementation and project outcomes for women are developed and used. The Borrower shall further ensure that the Project Executing Agency shall submit periodic reports on the implementation of the Gender Action Plan to ADB and the Housing and Settlements Steering Committee.

Governance and Anticorruption

43. The Borrower shall cause the Project Executing Agency to (a) undertake necessary measures to create and sustain a corruption-free environment for activities under the Project; (b) institute, maintain and ensure compliance with internal procedures and controls for activities under the Project, following international best practice standards for the purpose of preventing corruption, money laundering activities, and the financing of terrorists, and shall require all relevant ministries and agencies to refrain from engaging in any such activities; (c) comply with requirements of 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.

44. The Borrower and the Project Executing Agency 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.

45. The Borrower acknowledges that in accordance with ADB's Anticorruption Policy and Integrity Principles and Guidelines, ADB will assess allegations of any alleged corrupt, fraudulent, collusive and coercive practices relating to the Project, and where appropriate, recommend administrative action for ADB to take to address such allegations. The Borrower shall facilitate ADB's request to conduct any such investigation and shall undertake the investigation with ADB, in accordance with procedures to be agreed between the Borrower and ADB.

Grievance Redress Mechanism (GRM)

46. The Borrower and the Project Executing Agency shall ensure that a GRM acceptable to ADB is established in accordance with the provisions of the EARF and RF to consider safeguards complaints.

47. The Borrower and the Project Executing Agency shall further ensure that within 60 days following the Effective Date, a GRM acceptable to ADB is established for non-safeguards complaints in accordance with the PAM. In each case, such GRM shall function to (a) review and document eligible complaints of Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen mechanism and/or action; and (d) prepare and make available to ADB upon request periodic reports to summarize (i) the number of complaints received and resolved, (ii) chosen actions, and (iii) final outcomes of the grievances and make these reports available to ADB upon request. Eligible non-safeguards complaints include those related to the Project, the Subprojects, any of the service providers, any person responsible for carrying out the Project or Subprojects, complaints on misuse of funds and other irregularities as well as gender issues.

Project Website

48. Within 3 months after the Effective Date, the Borrower through the Project Executing Agency shall establish and maintain a Project website to disclose information about Project activities, including procurement, and shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods and services procured.