
LOAN NUMBER 3309-TAJ(SF)

GRANT NUMBER 0452-TAJ(SF)

FINANCING AGREEMENT
(Special Operations)

(Strengthening Technical and Vocational Education and Training Project)

between

REPUBLIC OF TAJIKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 16 Nov 2015

TAJ 46535

**FINANCING AGREEMENT
(Special Operations)**

FINANCING AGREEMENT dated 16 Nov 2015 between REPUBLIC OF TAJIKISTAN ("Beneficiary") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) by a grant agreement of even date herewith between the Beneficiary and ADB ("Externally Financed Grant Agreement"), ADB has also agreed to make a grant to the Beneficiary in the amount of two million Dollars (\$2,000,000) from the Clean Energy Fund under the Clean Energy Financing Partnership Facility to be administered by ADB ("CEF Grant") for the purposes of the Project as described in Schedule 1 of this Financing Agreement and as further described in Schedule 1 to the Externally Financed Grant Agreement; and

(C) ADB has agreed to provide financing by making a loan and a grant to the Beneficiary from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations and Grant Regulations; Definitions

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

(a) The term "Loan Agreement", wherever it appears in the Loan Regulations, shall be substituted by the term "Financing Agreement".

(b) The term "Borrower", wherever it appears in the Loan Regulations, shall be substituted by the term "Beneficiary" as defined in the opening paragraph of this Financing Agreement.

Section 1.02. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 ("Grant Regulations"), are hereby made applicable to this Financing Agreement with the same force and effect as if they were fully set forth herein subject, however, to the following modifications:

(a) The term “Grant Agreement”, wherever it appears in the Grant Regulations, shall be substituted by the term “Financing Agreement”.

(b) The term “Recipient”, wherever it appears in the Grant Regulations, shall be substituted by the term “Beneficiary” as defined in the opening paragraph of this Financing Agreement.

Section 1.03. Wherever used in this Financing Agreement, the several terms defined in the Loan Regulations and the Grant Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Financing Agreement have the following meanings:

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

(b) “Consulting Services” means the services to be financed out of the proceeds of the Loan or the Grant as described in paragraph 2 of Schedule 1 to this Financing Agreement;

(c) “CTMMEQ” means the Center for Training Methodology and Monitoring of Education Quality under MOLME;

(d) “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

(e) “EPCD” means Engineering Pedagogical College in Dushanbe under MOLME;

(f) “European Qualification Framework” means a common reference framework to facilitate the comparison of national qualification levels of different countries in Europe;

(g) “GAP” means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Beneficiary and ADB;

(h) “Gender Equity Model Program” means the gender equity model program as part of the GAP, substantially as the same is described in Appendix 10 to the PAM;

(i) “Goods” means equipment and materials to be financed out of the proceeds of the Loan or the Grant; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(j) “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Beneficiary;

(k) “Loan Disbursement Handbook” means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(l) “Market Responsive and Inclusive Training Program” means the program for promoting responsive and inclusive training, substantially as the same is described in Appendix 5 to the PAM, to promote responsiveness to urgent skills needs of the labor market and inclusiveness of the TVET system for the disadvantaged and vulnerable;

(m) “MOLME” means Ministry of Labor, Migration and Employment of the Beneficiary;

(n) “Non-traditional Occupations” means 12 selected occupations that are not traditionally regarded as suitable for women and where 75% or more of the work force is men, namely mason, finisher, fitter-plumber, building electrician, industrial electrician, gas and electric welder, repair and maintenance technician, truck driver, heavy equipment mechanic, tractor operator-mechanic, farmer worker and fruit and vegetable processing worker, except as ADB may otherwise agree;

(o) “PAG” means the Project Administration Group under MOLME;

(p) “PAM” means the project administration manual for the Project dated 18 September 2015 and agreed between the Beneficiary and ADB, as updated from time to time in accordance with the respective administrative procedures of the Beneficiary and ADB;

(q) “Priority Occupations” means 17 occupations selected for purposes of the Project, namely, farm worker, bookkeeper, tractor operator-mechanic, vegetable and fruit processing worker, mason, fitter-plumber, finisher, gas and electrical welder, electrician, building and industrial electrician, sewer, cosmetologist, domestic appliance repairman, cook-confectioner, seller, truck driver, and heavy equipment operator-mechanic, except as ADB may otherwise agree;

(r) “Procurement Guidelines” means ADB’s Procurement Guidelines (2015, as amended from time to time);

(s) “Procurement Plan” means the procurement plan for the Project dated 18 September 2015 and agreed between the Beneficiary and ADB, as updated from time to time in accordance with the Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(t) “Safeguard Policy Statement” or “SPS” means ADB’s Safeguard Policy Statement (2009);

(u) “Safeguards Monitoring Report” means each report prepared and submitted by the Beneficiary to ADB that describes progress with implementation of and compliance with the EMP, including any corrective and preventive actions;

(v) “TVET” means technical and vocational education and training; and

(w) “Works” means construction or civil works to be financed out of the proceeds of the Loan or the Grant, 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 and the Grant

Section 2.01. ADB agrees to provide to the Beneficiary from ADB's Special Funds resources, on terms and conditions set forth in this Financing Agreement:

- (a) a loan in various currencies equivalent to ten million six hundred thirty three thousand Special Drawing Rights (SDR10,633,000) ("Loan"); and
- (b) a grant in the amount of fifteen million Dollars (\$15,000,000) ("Grant").

Section 2.02. (a) The Beneficiary shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Financing Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.04. The Beneficiary 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 Financing 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 Section 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

ARTICLE III

Use of Proceeds of the Loan and the Grant

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

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

Section 3.03. Except as ADB may otherwise agree, the Beneficiary shall procure, or cause to be procured, the items of expenditure to be financed out of the

proceeds of the Loan and the Grant in accordance with the provisions of Schedule 4 to this Financing Agreement.

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations and the Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 September 2021 or, in each case, such other date as may from time to time be agreed between the Beneficiary and ADB.

ARTICLE IV

Particular Covenants

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

Section 4.02. (a) The Beneficiary 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 and Grant proceeds and compliance with the financial covenants of this Financing Agreement as well as on the use of the procedures for imprest fund 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 Beneficiary shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Beneficiary'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 Beneficiary, unless the Beneficiary shall otherwise agree.

Section 4.03. The Beneficiary shall enable ADB's representatives to inspect the Project, the Goods and Works, 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 Beneficiary to make withdrawals from (a) the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations; and (b) the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations: the CEF Grant shall have become liable for suspension or cancellation.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Financing Agreement for the purposes of Section 9.01(f) of the Loan Regulations and Section 9.01(e) of the Grant Regulations: this Financing Agreement and the Externally Financed Grant Agreement shall have been ratified by the Beneficiary for purposes of providing effective and enforceable exemptions from taxes, duties and similar mandatory payments on Project expenditures as referred to in paragraph 9 of Schedule 5 to this Financing Agreement.

Section 6.02. A date 60 days after the date of this Financing Agreement is specified for the effectiveness of the Financing Agreement for the purposes of Section 9.04 of the Loan Regulations and Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Beneficiary is designated as representative of the Beneficiary for the purposes of Section 11.02 of the Loan Regulations and Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations and Section 11.01 of the Grant Regulations:

For the Beneficiary

Ministry of Finance
Republic of Tajikistan
3, Prospekt Akademikov Radjabovykh Street
734025 Dushanbe, Tajikistan

Facsimile Number:

(992 37) 221-33-29.

For ADB

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

Facsimile Numbers:

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

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Financing 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 TAJIKISTAN

By 
ABDUSALOM K. QURBONIYON
Minister of Finance

ASIAN DEVELOPMENT BANK

By 
CHANG CHING YU
Country Director
Tajikistan Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to promote a demand-driven, quality-assured, and flexible TVET system in the Beneficiary that is responsive to labor market needs.

2. The Project shall comprise:

(A) Modernization of TVET system methodology:

- (i) developing competency standards and assessment tools aligned to an adapted European Qualification Framework, competency-based training curriculum and learning materials, and the related guidelines and manuals, including their enhancement with clean energy components;
- (ii) piloting the competency-based training and learning materials for Priority Occupations (including occupations related to clean energy and energy efficiency) at approximately 29 selected TVET institutions;
- (iii) training competency assessors for Priority Occupations (including occupations relating to clean energy and energy efficiency) on use of the assessment tools for the competency-based training curriculum; and
- (iv) building capacity of CTMMEQ through twinning arrangement with a reputable foreign TVET agency, staff development, office and equipment upgrading, and strengthening of its learning resource center.

(B) Upgrading of physical learning and teaching facilities in selected TVET institutions: upgrading the physical learning and teaching facilities of selected TVET institutions, including supply of modern training equipment for supporting the delivery of competency-based training curriculum at approximately 29 selected TVET institutions, including the incorporation of energy efficiency features at 3 selected TVET institutions.

(C) Improving access to relevant TVET programs:

- (i) training the teachers and masters of selected TVET institutions on effective delivery of the competency-based training curriculum (including courses on occupations related to clean energy and energy efficiency), including the development of an in-service TVET teachers' training plan;

- (ii) strengthening the capacity of EPCD through staff development, physical facilities upgrade, and establishment of a learning management system to deliver teacher training courses;
- (iii) strengthening capacity of CTMMEQ in competency assessment and certification based on either completion of competency-based training courses or work experience accumulated locally or abroad;
- (iv) developing and implementing the Market Responsive and Inclusive Training Program including the assessment and certification of migrant workers in the respective vocational skills; and
- (v) piloting the Gender Equity Model Program at 5 selected lyceums, including through improved curricula and learning materials for courses for selected Non-traditional Occupations, and provision of stipends for female participants during enrolment in, and apprenticeship after, such courses.

(D) Strengthening governance and management of TVET system:

- (i) establishment and operation of industry advisory committees in selected TVET institutions, as well as industry working groups comprising of sector leaders to be formalized as industry associations in the 5 priority sectors;
- (ii) training in modern TVET management skills and establishment of quality assurance systems for selected TVET institutions;
- (iii) strengthening of the secretariat of the National Coordination Council for Vocational Education and Training;
- (iv) provision of equipment for the Scientific Research Institute on Labor, Migration and Employment under MOLME to support annual labor market assessments;
- (v) a social marketing program to raise awareness and promote transparency on the key features of the Project including its rationale, the target beneficiaries, the eligible TVET institutions, the Market Responsive and Inclusive Training Program, the Gender Equity Model Program and eligibility and procedures for benefiting under the Project activities; and
- (vi) convening a skills conference to allow participating training providers, industries and industry working groups to showcase activities and achievements that support the implementation of the competency-based training approach to workforce development.

(E) **Project management support:** Project management support including physical upgrade of the PAG office and technical support to PAG activities covering Project planning and implementation, procurement, preconstruction activities and construction supervision, safeguards compliance, financial management and external auditing, Project monitoring and evaluation.

3. The Project is expected to be completed by 31 March 2021.

SCHEDULE 2**Amortization Schedule
(Strengthening Technical and Vocational Education and Training Project)**

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
15 May 2024	221,521
15 November 2024	221,521
15 May 2025	221,521
15 November 2025	221,521
15 May 2026	221,521
15 November 2026	221,521
15 May 2027	221,521
15 November 2027	221,521
15 May 2028	221,521
15 November 2028	221,521
15 May 2029	221,521
15 November 2029	221,521
15 May 2030	221,521
15 November 2030	221,521
15 May 2031	221,521
15 November 2031	221,521
15 May 2032	221,521
15 November 2032	221,521
15 May 2033	221,521
15 November 2033	221,521
15 May 2034	221,521
15 November 2034	221,521
15 May 2035	221,521
15 November 2035	221,521
15 May 2036	221,521
15 November 2036	221,521
15 May 2037	221,521
15 November 2037	221,521
15 May 2038	221,521
15 November 2038	221,521
15 May 2039	221,521
15 November 2039	221,521
15 May 2040	221,521
15 November 2040	221,521
15 May 2041	221,521
15 November 2041	221,521
15 May 2042	221,521
15 November 2042	221,521
15 May 2043	221,521
15 November 2043	221,521
15 May 2044	221,521

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
15 November 2044	221,521
15 May 2045	221,521
15 November 2045	221,521
15 May 2046	221,521
15 November 2046	221,521
15 May 2047	221,521
15 November 2047	221,513
TOTAL	10,633,000

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

SCHEDULE 3

Allocation and Withdrawal of Loan and Grant Proceeds

General

1. The tables attached to this Schedule set forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the Grant. Table 1 sets forth the allocation of the Loan proceeds to each such Category. Table 2 sets out the allocation of the Grant proceeds to each such Category (Reference to "Category" in this Schedule is to a Category or Subcategory of Table 1 and Table 2, respectively.)

Basis for Withdrawal from the Loan and Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Loan and the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in Table 1 and Table 2, respectively.

Interest Charge

3. The amount allocated to Category 4 of Table 1 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of the Loan proceeds and the Grant proceeds and the withdrawal percentages set forth in Table 1 and Table 2, respectively,

(a) if the amount of the Loan or the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Beneficiary, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan or the Grant 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 or the Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with the Beneficiary, reallocate such excess amount to any other Category.

Disbursement Procedures

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

Retroactive Financing

6. Withdrawals from the Grant Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than

12 months before the date of this Financing Agreement in connection with Consulting Services to be provided by 5 PAG staff (project manager, finance officer, procurement specialist, administrative officer, and competency-based training development coordinator) and recurrent costs associated with the operation of the PAG, subject to a maximum amount equivalent to 20% of the Grant.

TABLE 1

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Strengthening Technical and Vocational Education and Training Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Civil Works	3,743,000	100 percent of total expenditure claimed*
2	Vehicles	70,000	100 percent of total expenditure claimed*
3	Equipment	5,983,000	100 percent of total expenditure claimed*
4	Interest Charge During Implementation	227,000	100% of amounts due
5	Unallocated	610,000	
	Total	10,633,000	

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

TABLE 2

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Strengthening Technical and Vocational Education and Training Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Furniture	1,760,000	100 percent of total expenditure claimed*
2	TVET Capacity Building	7,350,000	100 percent of total expenditure claimed*
3	Books, Publications, Handouts	80,000	100 percent of total expenditure claimed*
4	Staff Training	890,000	100 percent of total expenditure claimed
5	Study Tours	410,000	100 percent of total expenditure claimed
6	Survey, Studies and Social Marketing	180,000	100 percent of total expenditure claimed
7	Stipends (Gender Equity Model Program)	800,000	100 percent of total expenditure claimed*
8	Consulting Services	1,160,000	100 percent of total expenditure claimed*
9	Operational and Management Costs	1,170,000	100 percent of total expenditure claimed
10	Unallocated	1,200,000	
	Total	15,000,000	

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

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 Financing 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) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Beneficiary 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 Beneficiary and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Beneficiary's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Beneficiary 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 Beneficiary and ADB.

Consulting Services

6. Except as ADB may otherwise agree, and except as set forth in paragraphs 7 and 8 below, the Beneficiary shall apply quality- and cost-based selection for selecting and engaging Consulting Services.
7. The Beneficiary shall apply Consultant Qualifications Selection for selecting and engaging the Consulting Services in respect of external auditing, baseline and tracer studies, survey for the Market Responsive and Inclusive Training Program, and TVET training (excluding social marketing program), and design, in accordance with, among other things, the procedures set forth in the Procurement Plan.

8. The Beneficiary shall recruit the individual consultants for Project management, support and for regional resource center coordination in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

9. (a) The Beneficiary 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 Beneficiary 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.

10. The Beneficiary 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.

Condition for Award of Works contracts

11. The Beneficiary shall ensure that any Works contract under the Project which involves environmental impacts shall not be awarded until:

- (a) the State Committee on Environment of the Beneficiary has granted the final approval of the IEE; and
- (b) MOLME has incorporated the relevant provisions from the environmental management plan into the Works contract.

ADB's Review of Procurement Decisions

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

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

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

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

15. The Beneficiary shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including change orders) within 1 month following amendment of the contract.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Beneficiary 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 Beneficiary and ADB. In the event of any discrepancy between the PAM and this Financing Agreement, the provisions of this Financing Agreement shall prevail.
2. The Beneficiary shall ensure that (a) an inter-agency Project steering group chaired by the Deputy Prime Minister of the Beneficiary and comprising representatives from the relevant ministries, industry associations and non-governmental organizations shall be established for overseeing the Project implementation within 3 months from the Effective Date; and (b) such Project steering group shall meet at least twice every year to discuss Project implementation.
3. The Beneficiary shall ensure that the PAG shall be established and staffed with at least one project manager, one financial management specialist, one procurement specialist, one competency-based training specialist, and one administrative officer within one month from the Effective Date, and shall continue to be operational until Project completion.
4. The Beneficiary shall ensure that (a) the TVET institutions at which the competency-based training and learning materials will be piloted under the Project will have its physical learning facilities upgraded under the Project to complement the pilot activities; and (b) conversely, that all TVET institutions that have its physical learning facilities upgraded under the Project will implement the piloting of the competency-based training and learning materials under the Project.
5. The Beneficiary shall ensure that:
 - (a) the dormitories to be rehabilitated under the Project are not occupied by anyone other than authorized students of the relevant lyceums;
 - (b) such rehabilitation shall take place only outside school term, and in cases where this is impracticable, alternative equivalent accommodation is arranged for the students of such dormitory for the duration of the rehabilitation; and
 - (c) selection of authorized occupants of dormitories rehabilitated under the Project shall be based on fair and transparent criteria and process satisfactory to ADB and the charges imposed on such occupants shall be set at a reasonable level and collected in a fair manner.
6. The Beneficiary shall cause the selected TVET institutions to ensure that suitable arrangements are in place to enable their teachers and masters to attend the training delivered under the Project, including reimbursing them for the incremental travel

costs to the training venue, if any, from the Grant proceeds and making reasonable adjustments to their duty schedules to the extent necessary.

7. By 30 June 2018, the Beneficiary shall ensure that the selected TVET institutions covered by the Project will implement an incentive scheme for teachers who successfully complete the competency-based training as certified by MOLME.

Financial Management

8. The Beneficiary shall ensure that the PAG shall:
- (a) develop a complete financial policies and procedures manual to guide the Project activities within 6 months from the Effective Date;
 - (b) compare actual expenditures with budgets on a monthly basis; and
 - (c) develop an annual training plan for accounting staff to ensure proficiency in management of foreign exchange risks, and familiarity with government financial regulations, ADB policies or procedures and any updates thereto.

Counterpart Funds

9. The Beneficiary shall allocate and make available on a timely basis all funds and resources necessary for the implementation of the Project. In particular, the Beneficiary shall provide (a) qualified counterpart staff; (b) adequate office accommodations and facilities; and (c) exemption of Project expenditures from local taxes, duties or similar mandatory payments, for the implementation of the Project in a timely manner.

10. The Beneficiary shall allocate and make available on a timely basis all funds and resources necessary for the operation and maintenance of the facilities rehabilitated under the Project.

Gender and Development

11. The Beneficiary shall ensure that (a) the GAP, including the Gender Equity Model Program, is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but are not limited to:

- (i) development of a gender orientation module and the conduct of gender orientation for the EPCD, industry sector working groups, industry expert panels, industry advisory committees, industry associations and curriculum and learning materials developers by 31 December 2018;
- (ii) ensuring that at least 15% female membership in industry and curriculum expert panels for Non-traditional Occupations by 30 June 2017;

- (iii) ensuring a 25% cumulative increase in female enrolment in courses for Non-traditional Occupations, from 1 January 2018 to 30 December 2020;
- (iv) ensuring that at least 35% of total teachers and at least 25% of total masters trained in competency-based methodology training under the Project are female;
- (v) ensuring that all dormitories rehabilitated under the Project has a female section with appropriate women-friendly facilities; and
- (vi) ensuring at least 20% female participation in each industry advisory committee established in each of the 3 lyceums covered by the Gender Equity Model Program.

12. In relation to the Gender Equity Model Program, the Beneficiary shall:

- (a) ensure that the implementation arrangements, including the governance, disbursement and monitoring mechanism, satisfactory to ADB, are submitted to ADB for review and concurrence by 30 September 2017;
- (b) such implementation arrangements and mechanics are put in place before any stipends are committed or disbursed thereunder to any selected lyceums and/or individual beneficiaries; and
- (c) in particular, ensure that selection for the participants shall conform to transparent, objective and verifiable criteria acceptable to ADB and subject to a fair and transparent selection process acceptable to ADB.

Safeguards

13. The Beneficiary 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 Beneficiary relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

14. The Beneficiary shall make available necessary budgetary and human resources to fully implement the EMP.

15. The Beneficiary 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 IEE and the EMP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;

- (b) make available a budget for all such environmental and social measures; and
 - (c) provide the government 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 IEE and the EMP.
16. The Beneficiary shall do the following:
- (a) submit 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 IEE and the 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 EMP promptly after becoming aware of the breach.
17. The Beneficiary shall ensure that the Project does not have any indigenous peoples or involuntary resettlement impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, the Beneficiary shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Beneficiary and with the SPS.

Prohibited List of Investments

18. The Beneficiary shall ensure that no proceeds of the Loan or the Grant are used to finance any activity that are identified as prohibited investment activities under the SPS.

Labor Standards, Health and Safety

19. The Beneficiary shall ensure that the core labor standards and the Beneficiary's applicable laws and regulations are complied with during Project implementation. The Beneficiary 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 Beneficiary'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.

20. The Beneficiary shall strictly monitor compliance with the requirements set forth in paragraph 19 above and provide ADB with regular reports.

Governance and Anticorruption

21. The Beneficiary shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

22. The Beneficiary shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

23. The Beneficiary shall provide updated information on the Project on the websites of the website of MOLME, including information on the performance of the Project, environmental monitoring, business opportunities, bidding process and guidelines, outcome of biddings, contract awards and summary progress reports.