
LOAN NUMBER 3152-SOL (SF)

GRANT NUMBER 0403-SOL (SF)

FINANCING AGREEMENT
(Special Operations)
(Transport Sector Flood Recovery Project)

between

SOLOMON ISLANDS

and

ASIAN DEVELOPMENT BANK

DATED 11 SEPTEMBER 2014

SOL 48293

**FINANCING AGREEMENT
(Special Operations)**

FINANCING AGREEMENT dated 11 September 2014 between SOLOMON ISLANDS ("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) 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 the Loan made pursuant 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 the Grant made pursuant 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 3 of Schedule 1 to this Financing Agreement;

(c) “CPIU” means the central project implementation unit of the Beneficiary which will be based at the MID and any successor thereof acceptable to ADB;

(d) “EARF” means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Beneficiary and cleared by ADB;

(e) “EIA” means each environmental impact assessment for a Subproject, including any update thereto, prepared and submitted by the Beneficiary pursuant to the requirements set forth in the EARF and cleared by ADB;

(f) “EMP” means each environmental management plan for a Subproject, including any update thereto, incorporated in an IEE or EIA;

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

(h) “Gender Action Plan” or “GAP” means the gender action plan prepared for the Project, including any update thereto, and agreed between the Beneficiary and ADB;

(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) “Initial Environmental Examination” or “IEE” means each initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Beneficiary pursuant to the requirements set forth in the EARF and cleared by ADB;

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

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

(m) “MID” means the Ministry of Infrastructure Development of the Beneficiary and any successor thereof acceptable to ADB;

(n) “O & M” means Operation and Maintenance;

(o) "PAM" means the project administration manual for the Project dated 23 July 23, 2014 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;

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

(q) "Procurement Plan" means the procurement plan for the Project dated 23 July, 2014 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;

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

(s) "Project facilities" means each and any of the facilities to be constructed under the Project;

(t) "Resettlement Framework" or "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Beneficiary and cleared by ADB;

(u) "Resettlement Plan" or "RP" means each resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Beneficiary pursuant to the requirements set forth in the RF and cleared by ADB;

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

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

(x) "Subproject" means any transport infrastructure improvement works, including construction or civil works, to be undertaken by the Beneficiary under the Project as provided in this Financing Agreement; and

(y) "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 four million two hundred eighty-nine thousand Special Drawing Rights (SDR4,289,000) ("Loan"); and
- (b) a grant in the amount of six million six hundred and ten thousand Dollars (\$6,610,000) ("Grant").

Section 2.02. The Beneficiary shall pay to ADB an interest charge at the rate of 1.0% per annum, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 February and 1 August 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 the 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. Withdrawals from the Loan Account and the Grant Account in respect of Goods, Works, and Consulting Services shall be made only on account of expenditures relating to:

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

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2017, and the Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2017 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, including separate accounts and records for the Loan and Grant; (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) 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

Effectiveness

Section 5.01. A date 90 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 VI

Miscellaneous

Section 6.01. The Minister of Finance and Treasury 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 6.02. 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 and Treasury
P.O. Box 26, Honiara
Solomon Islands

Facsimile Number:

(677) 27855
(677) 28173.

For ADB

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

Facsimile Numbers:

(63-2) 636-2444
(63-2) 636-2446.

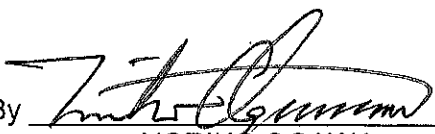
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Financing Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

SOLOMON ISLANDS

By 

ANTHONY BAKER
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

NORIKO OGAWA
Deputy Director General
Pacific Department

SCHEDULE 1**Description of the Project**

1. The objective of the Project is the restored and more resilient connectivity.
2. The Project shall comprise of the following:
 - (a) reconstruction and climate and disaster proofing of three high level bridges;
 - (b) reconstruction of five small stream crossings;
 - (c) reinstatement of 1.6 km of all-weather bridge approach roads;
 - (d) reconstruction of 80 meters of cross culverts;
 - (e) completion of 1km of bridge and approach road protection work; and
 - (f) completion of 300 m of river training works.
3. The Project will include the provision of Consulting Services to assist the Beneficiary in the implementation of the Project.
4. The Project is expected to be completed by 30 June 2017.

SCHEDULE 2**Amortization Schedule****(Transport Sector Flood Recovery Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01 Feb 2025	42,900
01 Aug 2025	42,900
01 Feb 2026	42,900
01 Aug 2026	42,900
01 Feb 2027	42,900
01 Aug 2027	42,900
01 Feb 2028	42,900
01 Aug 2028	42,900
01 Feb 2029	42,900
01 Aug 2029	42,900
01 Feb 2030	42,900
01 Aug 2030	42,900
01 Feb 2031	42,900
01 Aug 2031	42,900
01 Feb 2032	42,900
01 Aug 2032	42,900
01 Feb 2033	42,900
01 Aug 2033	42,900
01 Feb 2034	42,900
01 Aug 2034	42,900
01 Feb 2035	85,800
01 Aug 2035	85,800
01 Feb 2036	85,800
01 Aug 2036	85,800
01 Feb 2037	85,800
01 Aug 2037	85,800
01 Feb 2038	85,800
01 Aug 2038	85,800
01 Feb 2039	85,800
01 Aug 2039	85,800
01 Feb 2040	85,800
01 Aug 2040	85,800
01 Feb 2041	85,800
01 Aug 2041	85,800

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01 Feb 2042	85,800
01 Aug 2042	85,800
01 Feb 2043	85,800
01 Aug 2043	85,800
01 Feb 2044	85,800
01 Aug 2044	85,800
01 Feb 2045	85,800
01 Aug 2045	85,800
01 Feb 2046	85,800
01 Aug 2046	85,800
01 Feb 2047	85,800
01 Aug 2047	85,800
01 Feb 2048	85,800
01 Aug 2048	85,800
01 Feb 2049	85,800
01 Aug 2049	85,800
01 Feb 2050	85,800
01 Aug 2050	85,800
01 Feb 2051	85,800
01 Aug 2051	85,800
01 Feb 2052	85,800
01 Aug 2052	85,800
01 Feb 2053	85,800
01 Aug 2053	85,800
01 Feb 2054	85,800
01 Aug 2054	85,800
TOTAL	4,289,000

* 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 3 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, by notice to 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, by notice to 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.

TABLE 1

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Transport Flood Recovery Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Civil Works	3,634,000	59% of total expenditure claimed*
2	Equipment	48,000	50% of total expenditure claimed*
3	Financing charges during implementation	118,000	100% of total amount due
4	Unallocated	489,000	
	Total	4,289,000	

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

TABLE 2

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Transport Flood Recovery Project)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Civil Works	3,950,000		41% of total expenditure claimed*
2	Equipment	75,000		50% of total expenditure claimed*
3	Consulting Services	1,650,000		
3A	Project Management		1,450,000	100% of total expenditure claimed*
3B	Environmental and Social Mitigation		200,000	100% of total expenditure claimed*
4	Unallocated	935,000		
	Total	6,610,000		

* 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; and
 - (b) 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.

Domestic Preference

5. The Beneficiary may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

Conditions for Award of Contract

6. The Beneficiary shall not award any Works contract for a Subproject which involves environmental impacts until the Beneficiary has:
 - (a) obtained the final approval of the EIA/IEE from the Beneficiary's Ministry of Environment, Climate Change and Disaster Management and Meteorology; and
 - (b) incorporated the relevant provisions from the EMP into the Works contract.
7. The Beneficiary shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the Beneficiary has prepared and submitted to ADB the final RP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such RP.

8. The Beneficiary shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Consulting Services

9. Except as ADB may otherwise agree, and except as set forth in the Procurement Plan, the Beneficiary shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

Industrial or Intellectual Property Rights

10. (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.

11. 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.

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.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Beneficiary and the Project Executing Agency 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.

Counterpart Funds

2. The Beneficiary shall make available through budgetary allocations or other means, all counterpart funds required for the timely and effective implementation of the Project including any funds required to make land available for the Project, to mitigate unforeseen environmental, resettlement and other social impacts, and to meet additional costs arising from design changes, price escalation in construction costs or other unforeseen circumstances.

Environment

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

Land Acquisition and Involuntary Resettlement

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

5. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Beneficiary shall ensure that no physical or economic displacement takes place in connection with the Subprojects until:

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

Indigenous Peoples

6. The Beneficiary shall ensure that the Project does not involve any indigenous peoples risks or impacts within the meaning of the SPS. If due to unforeseen circumstances, the Project involves any such impacts, the Beneficiary shall take all steps necessary or desirable to ensure that the Project complies with all applicable laws and regulations of the recipient and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

7. The Beneficiary shall make available necessary budgetary and human resources to fully implement the EMP and the RP in the event that an RP is prepared in connection with the Project or any Subproject.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. The Beneficiary shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE/EIA, the EMP, and the RP (to the extent they concern impacts on affected people during construction) and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Beneficiary 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/EIA, the EMP, and the RP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

9. The Beneficiary shall do the following:

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

- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE/EIA, the EMP, or the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, or the RP promptly after becoming aware of the breach.

Prohibited List of Investments

10. The Beneficiary shall ensure that no proceeds of the Loan and Grant are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

11. The Beneficiary shall ensure that all civil works contracts and bidding documents for the Project include specific provisions requiring contractors to (a) comply with all applicable labor laws of the Beneficiary on the prohibition of child and forced labor; (b) give equal pay for equal work regardless of gender, ethnicity or caste; and (c) disseminate information on sexually transmitted diseases (including HIV/AIDS) and human trafficking to employees and local communities surrounding the Project construction sites.

Gender and Development

12. The Beneficiary shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, is regularly monitored and reported to ADB.

Governance and Corruption

13. 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.

14. 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.

Combating Money Laundering and Financing of Terrorism

15. The Beneficiary shall:
- (a) comply with applicable laws and regulations of the Beneficiary on combating money laundering and financing of terrorism and that proceeds of Loan and Grant are not used, directly or indirectly, in money laundering or financing of terrorism;
 - (b) formulate and implement internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
 - (c) promptly inform ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs the Beneficiary of its concern that there has been such an alleged violation, the Beneficiary shall (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.

Project Website

16. Within 90 days of the Effective Date, the Beneficiary shall establish and maintain a Project website which shall be regularly updated. The Project website shall include information on (a) bidding procedures, bidders, and contract awards; (b) use of the funds disbursed under the Project; and (c) physical progress of the Project.

Debris Removal

17. In the event of any future flooding or other natural disasters, the Beneficiary shall ensure prompt removal of debris from Project facilities and other related areas to ensure sustainability and proper O&M of such Project facilities.

Consultation and Participation Plan

18. Within 12 months after the Effective Date, the Beneficiary shall ensure that the Project Executing Agency prepares a consultation and participation plan (CPP) acceptable to ADB as described in the PAM.

O&M

19. During Project implementation and thereafter, the Beneficiary shall ensure that the Project Executing Agency maintains the Project facilities and that proper technical supervision and adequate routine funds for this purpose are provided. The funds required for the O&M of the Project facilities shall be allocated annually and released in a timely basis under the National Transport Fund.

20. The Beneficiary shall ensure that its budget allocation for road maintenance is increased annually and contributed to the National Transport Fund, so that adequate funds are made available for O&M of the Project facilities and other transport infrastructure.

Road Safety

21. The Beneficiary shall ensure that the Project Executing Agency undertakes road safety audits, accompanied by road safety awareness sessions, during the design process, construction, and on existing roads, and shall also ensure that recommendations of the road safety audits are reviewed and promptly incorporated in the design and implemented on existing roads, as appropriate.