
LOAN NUMBER 3331-VAN (SF)
LOAN NUMBER 3332-VAN (SF)

GRANT NUMBER 0459-VAN (SF)
GRANT NUMBER 0460-VAN (SF)

FINANCING AGREEMENT
(Special Operations)
(Cyclone Pam Road Reconstruction Project)

between

REPUBLIC OF VANUATU

and

ASIAN DEVELOPMENT BANK

DATED 1 MARCH 2016

VAN 49319

**FINANCING AGREEMENT
(Special Operations)**

FINANCING AGREEMENT dated 1 March 2016 between REPUBLIC OF VANUATU ("Beneficiary") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Beneficiary has applied to ADB for loans (the "Loans") and grants (the "Grants") from its Special Funds resources and from the Disaster Response Facility ("DRF") of its Special Funds Resources for the purposes of financing the Project described in Schedule 1 to this Financing Agreement;

(B) by a grant agreement of even date herewith ("GEF Grant Agreement"), ADB has agreed to make the proceeds of a grant (the "GEF Grant", and together with the Loans and the Grants, the "Financings") available to the Beneficiary from the Global Environment Facility in an amount of two million six hundred eighty thousand (\$2,680,000) for the purposes of financing the Project; and

(C) ADB has agreed to make the Loans and the Grants to the Beneficiary from ADB's Special Funds resources and from the DRF 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 Grants as described in paragraph 3 of Schedule 1 to this Financing Agreement;

(c) "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;

(d) "EMP" means the environmental management plan for a Subproject, including update thereto, incorporated in an IEE;

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

(f) "Goods" means equipment and materials to be financed out of the proceeds of the Financings; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(g) "IEE" means the 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;

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

(i) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(j) "MFEM" means the Ministry of Finance and Economic Management of the Beneficiary;

(k) "PAM" means the project administration manual for the Project dated October 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;

(l) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(m) "Procurement Plan" means the procurement plan for the Project dated October 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;

(n) "Project Executing Agency" for the purposes of, and within the means of, the Loan Regulations and the Grant Regulations means MFEM or any successor thereto acceptable to ADB;

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

(p) "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;

(q) "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 and the RF, including any corrective and preventive actions;

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

(s) "Subproject" means a road replacement subproject that meets the subproject eligibility criteria set forth in the PAM;

(t) "Tables" means the tables attached to Schedule 4 to this Financing Agreement; and

(u) "Works" means construction or civil works to be financed out of the proceeds of the Financings, 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 Loans and the Grants

Section 2.01. ADB agrees to provide to the Beneficiary on terms and conditions set forth in this Financing Agreement:

(a) a loan in various currencies equivalent to seven hundred eight thousand Special Drawing Rights (SDR708,000) and a grant in the amount of seven million Dollars (\$7,000,000), each from ADB's Special Funds resources; and

- (b) a loan in various currencies equivalent to one million nine hundred eighty six thousand Special Drawing Rights (SDR1,986,000) and a grant in the amount of two million eight hundred five thousand Dollars (\$2,805,000), each from the DRF.

Section 2.02. The Beneficiary shall pay to ADB an interest charge at the rate of 1% per annum on the amount of the Loans withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loans shall be payable semiannually on 15 April and 15 October in each year.

Section 2.04. The Beneficiary shall repay the principal amount of the Loans withdrawn from the Loan Account in accordance with the amortization schedules set forth in Schedule 2 and 3 to this Financing Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loans 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 Loans and the Grants

Section 3.01. The Beneficiary shall cause the proceeds of the Loans and the Grants 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 Loans and the Grants shall be allocated and withdrawn in accordance with the provisions of Schedule 4 to this Financing Agreement, as such Schedule 4 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 Loans and the Grants in accordance with the provisions of Schedule 5 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 June 2018 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 6 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 Loans and Grants; (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 Loans proceeds and compliance with the financial covenants of this Financing 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

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, respectively: the Beneficiary shall have failed to perform any of its obligations under the GEF Grant Agreement.

Section 5.02 The following is specified as an additional event for acceleration of maturity of the Loans for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Financing Agreement shall have occurred.

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, respectively: the GEF Grant Agreement shall have been duly executed and delivered, and all conditions precedent to its effectiveness other than a condition requiring the effectiveness of this Financing Agreement, shall have been fulfilled.

Section 6.02. 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 VII

Miscellaneous

Section 7.01. The Minister for Finance and Economic Management 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 and Economic Management
PMB 9031, Port Vila, Vanuatu

Facsimile Number:

+678 26884

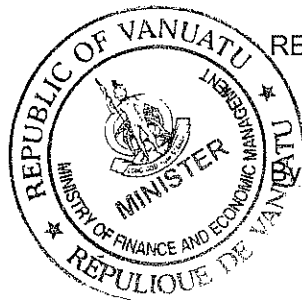
For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 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.



REPUBLIC OF VANUATU

GAETAN PIKIOUNE
Minister
Ministry of Finance and
Economic Management

ASIAN DEVELOPMENT BANK

By

ANDREA IFFLAND
Regional Director
Pacific Liaison and Coordination Office

SCHEDULE 1

Description of the Project

1. The objective of the Project is to restore socioeconomic activities to pre-cyclone levels:
2. The Project shall comprise reconstruction of transport infrastructure in damaged locations on Efate ring road and climate- and disaster-proofing.
3. The Project will include the provision of Consulting Services.
4. The Project is expected to be completed by 31 December 2017.

SCHEDULE 2

Amortization Schedule – Special Funds Resources Loan

(Cyclone Pam Road Reconstruction Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)
15 April 2026	7,080
15 October 2026	7,080
15 April 2027	7,080
15 October 2027	7,080
15 April 2028	7,080
15 October 2028	7,080
15 April 2029	7,080
15 October 2029	7,080
15 April 2030	7,080
15 October 2030	7,080
15 April 2031	7,080
15 October 2031	7,080
15 April 2032	7,080
15 October 2032	7,080
15 April 2033	7,080
15 October 2033	7,080
15 April 2034	7,080
15 October 2034	7,080
15 April 2035	7,080
15 October 2035	7,080
15 April 2036	14,160
15 October 2036	14,160
15 April 2037	14,160
15 October 2037	14,160
15 April 2038	14,160
15 October 2038	14,160
15 April 2039	14,160
15 October 2039	14,160
15 April 2040	14,160
15 October 2040	14,160
15 April 2041	14,160
15 October 2041	14,160
15 April 2042	14,160
15 October 2042	14,160
15 April 2043	14,160
15 October 2043	14,160
15 April 2044	14,160
15 October 2044	14,160
15 April 2045	14,160
15 October 2045	14,160
15 April 2046	14,160

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)
15 October 2046	14,160
15 April 2047	14,160
15 October 2047	14,160
15 April 2048	14,160
15 October 2048	14,160
15 April 2049	14,160
15 October 2049	14,160
15 April 2050	14,160
15 October 2050	14,160
15 April 2051	14,160
15 October 2051	14,160
15 April 2052	14,160
15 October 2052	14,160
15 April 2053	14,160
15 October 2053	14,160
15 April 2054	14,160
15 October 2054	14,160
15 April 2055	14,160
15 October 2055	<u>14,160</u>
TOTAL	708,000

* 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

**Amortization Schedule – Special Funds Resources (Disaster Response Facility) Loan
(Cyclone Pam Road Reconstruction Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)
15 April 2026	19,860
15 October 2026	19,860
15 April 2027	19,860
15 October 2027	19,860
15 April 2028	19,860
15 October 2028	19,860
15 April 2029	19,860
15 October 2029	19,860
15 April 2030	19,860
15 October 2030	19,860
15 April 2031	19,860
15 October 2031	19,860
15 April 2032	19,860
15 October 2032	19,860
15 April 2033	19,860
15 October 2033	19,860
15 April 2034	19,860
15 October 2034	19,860
15 April 2035	19,860
15 October 2035	19,860
15 April 2036	39,720
15 October 2036	39,720
15 April 2037	39,720
15 October 2037	39,720
15 April 2038	39,720
15 October 2038	39,720
15 April 2039	39,720
15 October 2039	39,720
15 April 2040	39,720
15 October 2040	39,720
15 April 2041	39,720
15 October 2041	39,720
15 April 2042	39,720
15 October 2042	39,720
15 April 2043	39,720
15 October 2043	39,720
15 April 2044	39,720
15 October 2044	39,720
15 April 2045	39,720
15 October 2045	39,720
15 April 2046	39,720

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)
15 October 2046	39,720
15 April 2047	39,720
15 October 2047	39,720
15 April 2048	39,720
15 October 2048	39,720
15 April 2049	39,720
15 October 2049	39,720
15 April 2050	39,720
15 October 2050	39,720
15 April 2051	39,720
15 October 2051	39,720
15 April 2052	39,720
15 October 2052	39,720
15 April 2053	39,720
15 October 2053	39,720
15 April 2054	39,720
15 October 2054	39,720
15 April 2055	39,720
15 October 2055	39,720
TOTAL	<u>1,986,000</u>

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

SCHEDULE 4**Allocation and Withdrawal of Loans and Grants Proceeds**General

1. The Tables set forth the Categories of items of expenditure to be financed out of the proceeds of the Loans and the Grants. Table 1 sets forth the allocation of the proceeds of the loan from ADB's Special Funds resources to each such Category. Table 2 sets forth the allocation of the proceeds of the loan from the DRF to each such Category. Table 3 sets out the allocation of the proceeds of the grant from ADB's Special Funds resources to each such Category. Table 4 sets out the allocation of the proceeds of the grant from the DRF to each such Category (Reference to "Category" in this Schedule is to a Category or Subcategory of the Tables)

Basis for Withdrawal from the Loan and Grant Account

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

Interest Charge

3. The amount allocated to Category 2 of Tables 1 and 2 is for financing the interest charge on the Loans during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of the Loans proceeds and the Grants proceeds and the withdrawal percentages set forth in the Tables,

- (a) if the amount of the Loans or the Grants 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 Loans or the Grants 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 Loans or the Grants 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 Loans and the Grants shall be disbursed in accordance with the Loan Disbursement Handbook.

TABLE 1

ALLOCATION AND WITHDRAWAL OF SPECIAL FUNDS RESOURCES LOAN PROCEEDS (Cyclone Pam Road Reconstruction Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Works	697,000	7.30 percent of total expenditure claimed*
2	Interest Charge	11,000	
	Total	708,000	

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

TABLE 2

ALLOCATION AND WITHDRAWAL OF SPECIAL FUNDS RESOURCES (DISASTER RESPONSE FACILITY) LOAN PROCEEDS (Cyclone Pam Road Reconstruction Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Works	1,954,000	20.62 percent of total expenditure claimed*
2	Interest Charge	32,000	
	Total	1,986,000	

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

TABLE 3

ALLOCATION AND WITHDRAWAL OF SPECIAL FUNDS RESOURCES GRANT PROCEEDS (Cyclone Pam Road Reconstruction Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Works	4,190,000	31.20 percent of total expenditure claimed*
2	Consulting Services	2,810,000	100 percent of total expenditure claimed*
	Total	7,000,000	

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

TABLE 4

ALLOCATION AND WITHDRAWAL OF SPECIAL FUNDS RESOURCES (DISASTER RESPONSE FACILITY) GRANT PROCEEDS (Cyclone Pam Road Reconstruction Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Works	2,805,000	20.92 percent of total expenditure claimed*
	Total	2,805,000	

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

SCHEDULE 5

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 limited international bidding or direct contracting.
4. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Beneficiary may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Conditions for Award of Contract

5. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until the Project Executing Agency has incorporated the relevant provisions from the corresponding EMP into the Works contract.
6. The Borrower 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.

Consulting Services

7. Except as ADB may otherwise agree, the Beneficiary shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

Industrial or Intellectual Property Rights

8. (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.

9. 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

10. 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 6**Execution of Project**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.

Environment

2. The Beneficiary shall ensure that the preparation, design, construction, implementation, operation and decommissioning of each Subproject 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

3. The Beneficiary shall ensure that all land and all rights-of-way required for each Subproject 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.

4. 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

5. 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 each Subproject complies with all applicable laws and regulations of the recipient and with the SPS.

Labor Standards, Health and Safety

6. 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. The Beneficiary shall strictly monitor compliance with the requirements set forth above and provide ADB with regular reports.

Gender and Development

7. The Beneficiary shall ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area consistent with ADB's Policy on Gender and Development (1998) are followed during implementation of the Project, including (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

Human and Financial Resources to Implement Safeguards Requirements

8. 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.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

9. 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

10. 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

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

Counterpart Support

12. The Beneficiary shall make available all counterpart funds required for timely and effective implementation of the Project, including any funds required to meet additional costs arising from unforeseen circumstances.

Governance and Anticorruption

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.

Project Website

15. 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

16. 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

17. 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

18. During Project implementation and thereafter, the Beneficiary shall ensure that the Project facilities are maintained 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 on a timely basis. The Beneficiary shall prepare an asset management plan for Efate ring road forecasting routine and periodic maintenance expenditures for 5 years with incremental increases each year for the sustainability of the road assets.

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

Road Safety

20. The Beneficiary shall ensure that road safety audits, accompanied by road safety awareness sessions, are undertaken 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.

Selection Criteria and Approval Process for Subprojects

21. Feasibility studies prepared for proposed Subprojects shall be endorsed by the project steering committee established for the Project prior to submission to ADB for approval. The Beneficiary, through the Project Executing Agency, shall periodically submit for

ADB's approval a list of roads it wishes to propose for Subprojects. The list shall be accompanied by an endorsed feasibility study for each proposed Subproject. The Beneficiary shall ensure that the feasibility studies are prepared with sufficient detail for ADB to assess whether the proposed Subprojects meet the criteria set forth in the PAM, and are otherwise suitable and viable.

22. The Beneficiary shall ensure that all documents forming the basis for screening, selection and processing of Subprojects are made available to ADB upon request and are kept available for such purposes for a minimum period of five years from the date of the project completion report for the Project.