
LOAN NUMBER 3074-PRC

PROJECT AGREEMENT
(Yunnan Sustainable Road Maintenance (Sector) Project)

between

ASIAN DEVELOPMENT BANK

and

YUNNAN PROVINCIAL GOVERNMENT

DATED 30 MAY 2014

PRC 45030

PROJECT AGREEMENT

PROJECT AGREEMENT dated 30 May 2014 between ASIAN DEVELOPMENT BANK (“ADB”) and YUNNAN PROVINCIAL GOVERNMENT (“YPG”).

WHEREAS

(A) by a Loan Agreement of even date herewith between PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and ADB, ADB has agreed to make to the Borrower a loan of eighty million Dollars (\$80,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loan be made available through YPG to YPDOT and that YPG agree to undertake certain obligations towards ADB set forth herein; and

(B) YPG, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. (a) Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

(b) In addition to the terms referred to in subsection (a) hereinabove, the following terms, wherever used in this Project Agreement, unless the context otherwise requires, have the following meaning:

- (i) the expression “YPDOT shall” means that YPG shall cause YPDOT to undertake the required responsibilities or perform the specified obligations in this Project Agreement; and
- (ii) the expression “YHAB shall” means, that YPG shall through YPDOT cause YHAB to, or ensure that YHAB undertake the required responsibilities or perform the specified obligations in this Project Agreement.

ARTICLE II

Particular Covenants

Section 2.01. (a) Wherever in this Project Agreement any acts or obligations are stipulated to be carried out or performed by YPDOT and YHAB, the primary responsibility to carry out such acts or perform such obligations shall be that of or deemed to be assumed by YPG. For this purpose YPG shall, through YPDOT and YHAB, or otherwise ensure that YPDOT and YHAB, perform such acts or obligations.

(b) YPG shall cause YPDOT and YHAB to carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

(c) In the carrying out of the Project and operation of the Project facilities, YPG through YPDOT and YHAB shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to each of them, and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. YPG shall make available and shall cause YPDOT and YHAB to make available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, YPDOT and YHAB shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, YPDOT and YHAB shall procure all items of expenditures to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. YPDOT and YHAB shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. YPDOT and YHAB shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) YPDOT and YHAB shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, YPDOT and YHAB shall undertake to insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of

use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. YPDOT and YHAB shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB, YPDOT and YHAB shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) YPDOT and YHAB shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the accomplishment of the purposes of the Loan.

(c) ADB, YPDOT and YHAB shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, YPDOT, YHAB and the Loan.

Section 2.08. (a) YPDOT and YHAB shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of YPDOT or YHAB; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, YPDOT and YHAB shall and shall cause YHAB to furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, YPDOT shall and shall cause YHAB to prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by YPDOT of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) YPG through YPFB and YPDOT through YHAB 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 for the Project 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 use of the Loan proceeds and compliance with the financial

covenants of this Loan Agreement as well as on the use of the procedures for the statement of expenditures) and a Management Letter; and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, 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 on its website 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.

(c) YPDOT and YHAB shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and their 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 YPDOT or YHAB, unless YPDOT or YHAB, as the case may be, shall otherwise agree.

Section 2.10. YPDOT and YHAB shall enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents.

Section 2.11. (a) YPDOT and YHAB shall promptly as required, take all action within its powers to maintain its existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its operations.

(b) YPDOT and YHAB shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.

(c) YPDOT and YHAB shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, YPDOT and YHAB shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, YPDOT and YHAB shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. YPDOT and YHAB shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, could adversely affect the carrying out of the Project or the operation of the

Project facilities. YPDOT and YHAB shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

ARTICLE III

Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement comes into force and effect. ADB shall promptly notify YPG and YPDOT of such date.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement, unless otherwise agreed in writing by ADB.

ARTICLE IV

Miscellaneous

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2426.

For YPG

Yunnan Provincial Government
Yunnan Provincial Finance Bureau
Wuhuashan
Kunming, Yunnan Province
People's Republic of China 650021

Facsimile Number:

(86) 871 6363 1025.

Yunnan Provincial Department of Transport
1 Huanchengxilu Road, Kunming, Yunnan Province
People's Republic of China 650011

Facsimile Number:

(86) 871 6312 6954.


Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement by or on behalf of YPG may be taken or executed by its Governor or Vice-Governor, or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) YPG shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

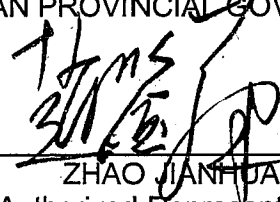
Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

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

ASIAN DEVELOPMENT BANK

By 
AYUMI KONISHI
Director General
East Asia Department

YUNNAN PROVINCIAL GOVERNMENT

By 
ZHAO JIANHUA
Authorized Representative

SCHEDULE

Execution of Project; Financial Matters

Implementation

1. YPG and YPDOT shall and shall cause YHAB to ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by ADB and YPDOT. In the event of any discrepancy between the PAM and this Project Agreement, the provisions of this Project Agreement shall prevail.
2. No later than 3 months following the Effective Date, YHAB shall have issued the notice to proceed to the selected Project Management Consultants.

Provision of Counterpart Funding

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

Sustainability and Sector Reforms; Road Maintenance Financial Plan

4. YPG shall and shall cause YPDOT and YHAB to use their best efforts to meet the performance and sustainability targets set out in the Road Sector Roadmap, through means including raising the allocation of fuel tax proceeds per kilometer of trunk road network in the increments set out in the Road Sector Roadmap, and by increasing, each year, the proportion of the trunk road network segments that shall qualify for and receive Rehabilitation works each year, in the increments set out in the Road Sector Roadmap.
5. YPG shall and shall cause YPDOT and YHAB to use their best efforts to implement the Road Sector Strategy and the Institutional Development Plan.

Performance and Sustainability Assessment Report

6. No later than 6 months after the close of the financial year, YPDOT shall cause YHAB to deliver to ADB a Performance and Sustainability Assessment Report, in form and substance satisfactory to ADB, which reviews the performance and sustainability of the Trunk Road Network and YHAB maintenance operations on such network within the framework of target indicators in the Road Sector Roadmap for the preceding year, and sets out targets and guidelines for the upcoming year. In respect of calendar year 2012, YPDOT shall cause YHAB to deliver to ADB the relevant Performance and Sustainability Assessment Report on or before the date that falls 30 days after the Effectiveness Date.

Subproject Selection Approval Process for Phase II-IV Subprojects

7. YPG shall cause YPDOT and YHAB to, and YPDOT and YHAB shall ensure that all Phase II-IV Subprojects are selected and approved in accordance with the Subproject Selection Criteria set out below in the following paragraph and in accordance with the screening process set out in the Operational Manual. Without limiting the foregoing, the

screening process shall involve selection and preparation of priority subprojects on an annual basis for each of Phase II, Phase III and Phase IV, combined in a single annual package for each such Phase (the "Phase II Proposal", "Phase III Proposal" and "Phase IV Proposal") setting out the elements indicated in the Operational Manual including a procurement plan, financing plan, implementation schedule, and completed Data Sheets for each Subproject. Selection of a preliminary list of priority subprojects ("Preliminary Subproject List") shall be based upon the most recent Road Conditions Survey software analysis in accordance with the provisions of paragraph 19 below, which identifies and prioritizes maintenance needs on a cost-benefit basis. A final selection shall be made of subprojects which satisfy the Subproject Selection Criteria set out below.

Subproject Selection Criteria

8. The YPG Subprojects and the ADB Subprojects shall satisfy the following criteria:
- (i) the subproject concerns Rehabilitation works of the road;
 - (ii) the subproject does not involve bridge construction widening or rehabilitation of more than 30 meters in length (while bridge rehabilitation of less than 30 meters can be included);
 - (iii) the subproject does not involve any tunnel rehabilitation or upgrading (widening, structural strengthening, etc.);
 - (iv) the subproject does not involve widening out of the existing right of way, and the width of the increase does not exceed one meter, unless the length of such increase does not exceed 5% as a percentage of the total length of the road section undergoing Rehabilitation or Routine maintenance works;
 - (v) the subproject does not involve upgrading from one road class to another road class;
 - (vi) the subproject does not involve paving of gravel or dirt roads;
 - (vii) the subproject does not involve extension or change in alignment of more than one meter, unless such realignment is directly required to improve the safety of an intersection, of a curve, or a steep grade in the road;
 - (viii) the subproject does not involve major slope protection works, where 'major' means more than 25% of the estimated costs of the works;
 - (ix) unless otherwise agreed, the subproject should involve at least ten continuous kilometers in length;
 - (x) the type of maintenance is aligned with first priority tasks under the Sector Maintenance Strategy;
 - (xi) the subproject is a High Priority Road Maintenance Project;
 - (xii) the subproject has undergone environmental impact assessment and social and poverty impact assessment in the ESSU and has been found not to involve any significant environmental or social impacts or any negative impacts on ethnic minorities;
 - (xiii) the subproject has an estimated economic internal rate of return of at least 12% when using a minimum eight year evaluation period using life cycle cost and benefits; and

- (xiv) YHAB has prepared and submitted for the subproject a Data Sheet in the form set out in the Operations Manual.

9. YPDOT shall endorse each proposed Subproject against the Subproject Selection Criteria before submitting such proposed Subproject to ADB for endorsement.

10. YPDOT and YHAB 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.

11. YPDOT and YHAB shall ensure that the Project facilities shall be constructed, upgraded or refurbished in accordance with the agreed technical design specifications and that construction supervision, quality control, and contract management are implemented in accordance with applicable national standards.

Road Safety Design, Audit and Education

12. YHAB shall ensure that the design of all Subprojects incorporates safety features and mitigants of safety risks, substantially in accordance with the safety design guidelines and safety budget ranges set out in the Operational Manual, with a view to ensuring that all Subprojects involve no higher than a medium risk assessment but preferably a low risk assessment.

13. YPDOT shall and shall cause YHAB to conduct a road safety audit (i) at the design stage for all Subprojects; and (ii) at the completion stage for all Subprojects.

14. YHAB shall ensure that: (a) recommendations from the road safety audit are taken into account in the detailed design for Phase II-IV Subprojects; (b) a formal response to the Project Roads safety audit findings is submitted to ADB within 3 months including documentation of the reasons for non-acceptance of any recommendations; and (c) road safety audits are carried out and recommendations arising from these audits are taken into account in the detailed design and bidding documents for all Subprojects.

15. YHAB shall carry out a community-based road safety education program in villages traversed by rehabilitated Project Roads, to encourage community participation and feedback on safety design features, and in order to raise awareness of residents of the villages of safety risks associated with higher vehicle speeds.

Performance-Based Road Maintenance Subprojects

16. YPDOT shall and shall cause YHAB to carry out the Wenshan Subproject and the Dehong Subproject in accordance with the processes, guidelines, bidding documents and performance standards referred to in the Technical Annex set out in the PAM.

17. On and after the Project implementation period, YPDOT shall and shall cause YHAB to maintain in place the road maintenance contracts concluded under Output 2 on an ongoing basis.

18. Prior to 30 September 2018, YPDOT shall and shall cause YHAB to (i) evaluate the lessons learned from the Wenshan Subproject and the Dehong Subproject and give consideration to potential replication of such piloted maintenance modalities; and (ii) through the Project Management Consultants, carry out an evaluation of the comparative cost efficiency of performing maintenance works on the Trunk Road Network through NCB and through government procurement procedures as to management cost, contract cost, and quality of works, and give consideration to introducing on a phased basis the use of more competitive procedures in the Road Sector Maintenance Strategy.

Road Asset Management System Database

19. YPDOT shall and shall cause YHAB to conduct road maintenance needs surveys on an annual basis and to apply a software analysis to the information collected through such annual surveys for the purpose of identifying priority Subprojects. Prior to establishment of the Road Asset Management System under Output 3, such software analysis shall be carried out using the HDM-IV software or another software analysis system that represents best practices and is acceptable to ADB.

20. Following establishment of the Road Asset Management System under Output 3, YPDOT shall and shall cause YHAB to use it in preparation of the annual and multi-year maintenance plans, and shall update, prior to the end of the Project Implementation Period, the maintenance strategy and timeframes for the Trunk Road Network.

21. On or before the end of the Project implementation period, YPDOT and YHAB shall ensure the establishment of modules complementary to the Road Asset Management System consisting of (i) a geographic positioning referencing system and geographic information systems for the highway network, and (ii) a traffic information subsystem for online access.

Social Development

22. YPDOT shall, and shall cause YHAB to ensure, that: (a) the SDAP is implemented, monitored and reported to ADB annually; (b) bidding documents include provisions as specified in the SDAP; and (c) progress in achieving the SDAP targets are reflected in the Project progress reports and Project completion report. YPDOT shall and shall cause YHAB and the Project contractors to: (i) provide equal pay to men and women for work of same type in accordance with national laws and international treaty obligations; (ii) provide safe working conditions for both male and female workers; (iii) provide at least 20% of non-skilled jobs under the Project to local women; and (iv) include at least 40% female participants in the Project road safety awareness activities concerning non-motorized transport and public transport which particularly benefit women.

Health Risks

23. In coordination with the local health bureaus, YPDOT shall, and shall cause YHAB to ensure, that: (a) training for construction workers and local communities on HIV/AIDS prevention and control methods is carried out; (b) the Works contractors disseminate information and conduct awareness training on the risks and prevention

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

Labor Standards

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

Safeguards

Environment

25. YPDOT shall ensure and shall cause YHAB to ensure that preparation, design, construction, implementation, operation and decommissioning of the Phase I Subprojects and the Phase II-IV Subprojects and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in (i) the IEE and the EMP, in relation to the Phase I Subprojects, the Wenshan Subproject, and the Dehong Subproject, and (ii) the EARF in relation to the Phase II-IV Subprojects; and (iii) any corrective or preventative actions (x) set forth in a Safeguards Monitoring Report or (y) which are subsequently agreed between ADB and YPDOT.

26. YPDOT and YHAB shall ensure that no construction work of any kind under the Project shall be commenced until all applicable environmental clearances have been obtained and that all the above requirements are incorporated in the bidding documents and civil works contracts to ensure compliance.

Land Acquisition and Involuntary Resettlement

27. YPDOT and YHAB shall ensure that the Phase I Subprojects, the Wenshan Subproject, and the Dehong Subproject will not require resettlement or land acquisition and that the Project overall will not finance any Subproject requiring significant resettlement.

28. To the extent that any Phase I Subproject, Wenshan Subproject or Dehong Subproject is later determined to involve resettlement impacts, or that any Phase II-IV Subproject is determined to have the potential for resettlement impacts under the SPS and the RF, YPDOT and YHAB shall ensure and cause YHAB to ensure that all land and all rights-of-way required for such Subprojects are made available to the Works contractor in a manner and within timeframes compliant with the RP and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and

regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the relevant RP, including any RP that is required to be prepared subsequent to the date of this Agreement pursuant to the SPS and the RF, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report or (ii) which are subsequently agreed between ADB and YPDOT.

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

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

Ethnic Minorities

30. YPDOT and YHAB shall ensure that the Project (including all Subprojects) shall not have adverse impacts on indigenous peoples as determined under the Safeguard Policy Statement and that all Outputs shall be implemented in a culturally appropriate and participatory manner to meet the needs of various peoples of the country. In the event that the Project or any Subproject or activities under any of them are later determined to involve any impacts on indigenous peoples, as determined under the Safeguard Policy Statement, YPDOT and YHAB shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the Safeguard Policy Statement, including preparation of an EMDP in accordance with the Safeguard Policy Statement and clearance thereof with ADB.

Human and Financial Resources to Implement Safeguards Requirements

31. YPDOT and YHAB shall make available necessary budgetary and human resources to fully implement the EMP, any RP and any EMDP (if any).

Safeguards – Related Provisions in Bidding Documents and Works Contracts

32. YPDOT and YHAB 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, EMP, EARF, the RF and any RP (if any) or any EMDP (if any) (to the extent they concern impacts on the respective affected people under the Environmental Safeguards, the Involuntary Resettlement Safeguards and the Indigenous Peoples Safeguards during construction), and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report or (ii) subsequently agreed between ADB and YPG;

- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project or any Subproject that were not considered in the IEE, the EMP, EARF, RF and any RP (if any) and any EMDP (if any);
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition as early as possible and no later than the completion of construction.

Safeguards Monitoring and Reporting

33. YPDOT and YHAB shall:

- (a) submit Safeguards Monitoring Reports
 - (i) in respect of implementation of and compliance with Environmental Safeguards, EARF and the EMPs, quarterly during construction and the implementation of the Project, EARF and the EMPs, and thereafter annually during operation (as part of the quarterly progress reports specified in the PAM), until the issuance of ADB's Project completion report unless a longer period is agreed in the EMPs; and
 - (ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards and Indigenous Peoples Safeguards and of the RF, RP (if any) and EMDP (if any), semi-annually during the implementation of the Project, the RF and RP (if any) and the EMDP (if any) (as part of the quarterly progress reports specified in the PAM) until the issuance of ADB's Project completion report unless a longer period is agreed in the EMDP (if any) and/or RP (if any)

to ADB and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards, the Involuntary Resettlement Safeguards and the Indigenous Peoples Safeguards, as applicable, promptly upon submission;

- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, EARF, the RF or any RP (if any) or any

EMDP (if any), 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, any RP (if any) or any EMDP (if any) promptly after becoming aware of the breach.

Prohibited List of Investments

34. YPDOT and YHAB shall ensure that no proceeds of the Loan are used to finance any activity included in the Prohibited Activities List.

Anticorruption

35. YPG shall, and shall cause YPDOT and YHAB to ensure, that during the Project implementation: (a) relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the Project; (b) officials from the Discipline and Inspection Bureau in Yunnan province monitor Project bidding, construction, and operations; (c) a 2-contract system is adopted whereby the winner of a Works contract shall also sign an anticorruption contract with the employer; (d) periodic inspection of contractors is undertaken to ensure that fund withdrawal and settlement procedures are followed; (e) the status of procurement and awards of contracts is published on YPDOT's website; and (f) liaison meetings are initiated with the relevant agencies in Yunnan province, on a needs basis to discuss any warnings about, or information on, any corrupt, fraudulent, collusive, or coercive practices relating to the Project.