
LOAN NUMBER 3127-SOL(SF)

GRANT NUMBER 0386-SOL(SF)

FINANCING AGREEMENT
(Special Operations)
(Provincial Renewable Energy Project)

between

SOLOMON ISLANDS

and

ASIAN DEVELOPMENT BANK

DATED 16 JUNE 2014

SOL 46014

**FINANCING AGREEMENT
(Special Operations)**

FINANCING AGREEMENT dated 16 June 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) the Project will be carried out by the Ministry of Mines, Energy and Rural Electrification and SIEA (as defined below), and for this purpose the Beneficiary will make available to SIEA the proceeds of the loan and the grant provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to provide financing by making a loan and a grant to the Beneficiary from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and SIEA;

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.

(c) Section 2.01(25) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and SIEA.

(d) The term "Project Executing Agency" appearing in Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the term "SIEA".

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.

(c) Section 2.01(16) is deleted and the following is substituted therefor:

“Project Agreement” means the Project Agreement of even date herewith between ADB and SIEA.

(d) The term “Project Executing Agency” appearing in Sections 6.01(a), 8.01(c), 8.01(e), 8.01(i), 9.01(b) and 9.02(b) of the Grant Regulations shall be substituted by the term “SIEA”.

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

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

(e) “GAP” means the gender action plan for the Project, including any update thereto, prepared and submitted by the Beneficiary and cleared by ADB;

(f) “Goods” means equipment and materials to be financed out of the proceeds of the Loan or the Grant, 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 the Project, including any update thereto, prepared and submitted by the Beneficiary 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 (2012, as amended from time to time);

(j) “PAM” means the project administration manual for the Project dated March 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;

(k) “PMU” means the project management unit to be established within SIEA;

(l) “Procurement Guidelines” means ADB's Procurement Guidelines (2013, as amended from time to time);

(m) “Procurement Plan” means the procurement plan for the Project dated March 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;

(n) “Project Executing Agency” for the purposes, and within the meaning of the Loan Regulations, means the Ministry of Mines, Energy and Rural Electrification of the Beneficiary, or any successor thereto acceptable to ADB;

(o) “RP” means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Beneficiary and cleared by ADB;

(p) “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 RP (as applicable), including any corrective and preventative actions;

(q) “SIEA” means the Solomon Islands Electricity Authority, or any successor thereto acceptable to ADB;

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

(s) “Subsidiary Financing Agreement” means the subsidiary financing agreement referred to in Section 3.01 of this Financing Agreement; and

(t) “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 three million eight hundred eighty six thousand Special Drawing Rights (SDR3,886,000) ("Loan"); and
- (b) a grant in the amount of six million Dollars (\$6,000,000) ("Grant").

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

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

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 April and 1 October 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. (a) From the proceeds of the Loan and the Grant, the Beneficiary shall relend an amount equivalent to \$10,500,000 to SIEA and make the remainder available to SIEA as a grant, in each case in local currency, through a Subsidiary Financing Agreement upon terms and conditions satisfactory to ADB.

(b) 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 and the Project 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 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 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 March 2022, and the Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 March 2022 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. 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.

Section 4.03. The Beneficiary shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. The Beneficiary shall take all action which shall be necessary on its part to enable SIEA to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Beneficiary shall exercise its rights under the Subsidiary Financing Agreement in such a manner as to protect the interests of the Beneficiary and ADB and to accomplish the purposes of the Loan and the Grant.

(b) No rights or obligations under the Subsidiary Financing Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

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 or SIEA shall have failed to perform any of their obligations under the Subsidiary Financing Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity of the loan 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 Subsidiary Financing Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of each of the Beneficiary and SIEA, and shall have become binding on the parties thereto in accordance with its terms, subject only to the effectiveness of this Financing Agreement.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations and Section 9.02(c) of the Grant Regulations, respectively, to be included in the opinion or opinions to be furnished to ADB: that the Subsidiary Financing Agreement has been duly executed and delivered on behalf of each of the Beneficiary and SIEA, and is binding upon the parties thereto in accordance with its terms, subject only to the effectiveness of this Financing Agreement.

Section 6.03. 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 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 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 Treasury
P.O. Box 26
Honiara, Solomon Islands

Facsimile Number:

(677) 28173
(677) 27855.

For ADB

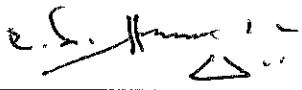
Asian Development Bank
6, ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

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.

SOLOMON ISLANDS

By 

RICK N. HOUENIPWELA
Minister of Finance and Treasury

ASIAN DEVELOPMENT BANK

By 

LAKSHMI VENKATACHALAM
Vice President
Private Sector and Cofinancing
Operations

SCHEDULE 1

Description of the Project

1. The objective of the Project is for SIEA to increase the supply of reliable and cleaner power to Auki, Malaita Province.

2. The Project shall comprise:

PART A: Construct Fiu River Hydropower Plant

Construct the Fiu River Hydropower Plant, a run-of-river hydropower plant with a capacity of 750 kilowatts. This part of the Project includes construction of (i) access road of about 3.5 kilometer; (ii) transmission line (11 kilovolts) of about 9.7 kilometer; (iii) the intake structure; (iv) the headrace canal of about 1.55 kilometer; (v) about 250 meters of steel penstock; and (vi) the powerhouse.

PART B: Extend Auki Electricity Distribution Grid

This part includes the provision of step-down transformers, distribution lines, household connections and minimum supply kits with prepayment meters to connect approximately 250 new household customers to the distribution grid.

PART C: Capacity Building for SIEA and the Project's Beneficiaries

- (i) Train SIEA staff on the operation of hydropower plants, through a 3-year operation and maintenance contract.
- (ii) Train newly-connected households on topics such as income generation through electricity, electricity safety and household budget management.

PART D: Project Management Services

Organize and establish the PMU, and conduct training activities for SIEA management and PMU staff.

3. Consulting Services will be provided to support the implementation of the Project and its above parts.

4. The Project is expected to be completed by 30 September 2021.

SCHEDULE 2
Amortization Schedule
(Provincial Renewable Energy Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> expressed in Special Drawing Rights*
1 Oct 2022	80,958
1 Apr 2023	80,958
1 Oct 2023	80,958
1 Apr 2024	80,958
1 Oct 2024	80,958
1 Apr 2025	80,958
1 Oct 2025	80,958
1 Apr 2026	80,958
1 Oct 2026	80,958
1 Apr 2027	80,958
1 Oct 2027	80,958
1 Apr 2028	80,958
1 Oct 2028	80,958
1 Apr 2029	80,958
1 Oct 2029	80,958
1 Apr 2030	80,958
1 Oct 2030	80,958
1 Apr 2031	80,958
1 Oct 2031	80,958
1 Apr 2032	80,958
1 Oct 2032	80,958
1 Apr 2033	80,958
1 Oct 2033	80,958
1 Apr 2034	80,958
1 Oct 2034	80,958
1 Apr 2035	80,958
1 Oct 2035	80,958
1 Apr 2036	80,958
1 Oct 2036	80,958
1 Apr 2037	80,958
1 Oct 2037	80,958
1 Apr 2038	80,958
1 Oct 2038	80,958
1 Apr 2039	80,958
1 Oct 2039	80,958
1 Apr 2040	80,958
1 Oct 2040	80,958
1 Apr 2041	80,958
1 Oct 2041	80,958
1 Apr 2042	80,958
1 Oct 2042	80,958
1 Apr 2043	80,958
1 Oct 2043	80,958
1 Apr 2044	80,958

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights*)
1 Oct 2044	80,958
1 Apr 2045	80,958
1 Oct 2045	80,958
1 Apr 2046	80,974
TOTAL	3,886,000

* 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.

Reallocation

3. 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

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

Condition for Withdrawals from Loan Account

5. Notwithstanding any other provision of this Financing Agreement, no withdrawals shall be made from the Loan Account or Grant Account for expenditures under Category 1 of Table 1 and Table 2, until the Beneficiary has notified ADB in writing that the Beneficiary and SIEA will be able to make available all land and rights-of-way required for the Project in accordance with paragraphs 7 and 8 of Schedule 5 to this Financing Agreement.

TABLE 1

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Provincial Renewable Energy Project			
Number	Item	Total Amount Allocated for ADB Financing (SDR)	Basis for Withdrawal from the Loan Account
		Category	
1	Civil Works**	3,238,000	73% of total expenditure claimed*
2	Unallocated	648,000	
	Total	3,886,000	

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

** Subject to the condition for withdrawal described in paragraph 5 of Schedule 3.

TABLE 2

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Provincial Renewable Energy Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Civil Works**	1,900,000	27% of total expenditure claimed*
2	Equipment	400,000	100% of total expenditure claimed*
3	Project Management	1,200,000	100% of total expenditure claimed*
4	Capacity Building	1,500,000	100% of total expenditure claimed*
5	Unallocated	1,000,000	
	Total	6,000,000	

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

** Subject to the condition for withdrawal described in paragraph 5 of Schedule 3.

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 and SIEA 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.

Conditions for Award of Contract

5. The Beneficiary and SIEA shall not award any Works contract that involves environmental impacts until:
 - (a) the Environment and Conservation Division of the Beneficiary has granted the final approval of the IEE; and
 - (b) the Beneficiary has incorporated the relevant provisions from the EMP into the Works contract.
6. The Beneficiary and SIEA shall not award any Works contract that involves involuntary resettlement impacts, until the Beneficiary has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP.

Consulting Services

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

Industrial or Intellectual Property Rights

8. (a) The Beneficiary and SIEA 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 and SIEA 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 and SIEA 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 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Beneficiary and SIEA 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, SIEA and ADB. In the event of any discrepancy between the PAM and this Financing Agreement, the provisions of this Financing Agreement shall prevail.

Counterpart Support

2. The Beneficiary and SIEA shall make available adequate budgetary allocations of the required counterpart funds in respect of the Project on a timely and regular basis. The Beneficiary and SIEA shall meet any financing shortfall to ensure that the Project is fully implemented.

3. The Beneficiary shall ensure that all its ministries, agencies and divisions involved in the implementation of the Project, including local government authorities, give their full cooperation to ensure smooth implementation of the Project. Specifically, the Beneficiary and SIEA shall fully cooperate to ensure that any licenses, permits or approvals required in connection with the Works are issued in a timely manner.

Project Website

4. Within 7 months after the Effective Date, SIEA shall create a dedicated page on its website to disclose information about the Project, including with respect to procurement. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services procured.

Grievance Redress Mechanism

5. Within 12 months after the Effective Date, the Beneficiary and SIEA shall prepare a grievance redress mechanism, acceptable to ADB, and establish a special committee to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances due to resettlement. The special committee will (a) make public the existence of the grievance redress mechanism; (b) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (c) proactively and constructively respond to them.

Environment

6. The Beneficiary and SIEA shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Beneficiary relating to

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

Land Acquisition and Involuntary Resettlement

7. The Beneficiary and SIEA shall ensure that all land and all rights-of-way required for the Project 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; and (c) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

8. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Beneficiary and SIEA shall ensure that no physical or economic displacement takes place in connection with the Project 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.

Human and Financial Resources to Implement Safeguards Requirements

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

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Beneficiary and SIEA 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, the EMP and the RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide SIEA 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, 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) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

11. The Beneficiary and SIEA 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, the EMP and 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

12. The Beneficiary and SIEA 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, Health and Social Protection

13. The Beneficiary and SIEA shall ensure that Works contracts and bidding documents under the Project include specific provisions requiring contractors to comply with all applicable labor laws and core labor standards on (a) prohibition of child labor as defined in national legislation for construction and maintenance activities; (b) equal pay for equal work of equal value regardless of gender, ethnicity or caste; (c) elimination of forced labor; (d) appropriate facilities for workers at construction sites; and (e) the requirement to disseminate information on sexually transmitted diseases including HIV/AIDS to employees and local communities.

Gender and Development

14. To ensure that women benefit equally from the Project and interventions avoid gender bias, the Beneficiary and SIEA shall ensure that the Project is carried out in accordance with ADB's Policy on Gender and Development (1998) and the GAP. The Beneficiary and SIEA shall ensure that adequate resources are allocated for this purpose. In particular, the Beneficiary shall cause SIEA to (a) ensure that the GAP's targets are achieved; (b) train all SIEA staff on the GAP; and (c) closely monitor and report to ADB on the implementation of the GAP.

Operation and Maintenance

15. The Beneficiary and SIEA shall ensure that the Project facilities are properly maintained and that proper technical supervision and adequate routine funds are provided for this purpose. Furthermore, the Beneficiary and SIEA shall ensure that sufficient funds are earmarked in their respective operation and maintenance budgets, and allocated and released on a timely basis, for the maintenance and rehabilitation of the Project facilities. The Beneficiary and SIEA shall ensure that all equipment and spare parts financed under the Project are used exclusively for the maintenance and operation of the Project.

Financial Ratios of SIEA

16. Throughout the Project implementation period, (a) SIEA shall maintain a debt-service coverage ratio of at least 1.2 and (b) SIEA shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 1.5. For the purposes of this provision, the term “debt” means any indebtedness maturing by its terms more than one year after the date on which it is originally incurred.

Project Performance and Monitoring System

17. Within 6 months after Effective Date, SIEA with the support of consultants shall establish a project performance monitoring system in line with the targets, indicators set in the Project design and monitoring framework. Within 12 months after the Effective Date, the baseline data corresponding to indicators and targets set out in the project status report will be disaggregated by income levels and gender as required. After the initial baseline survey, the SIEA, with the support of the consultants, shall conduct annual survey and quarterly monitoring of indicators and submit quarterly reports to ADB throughout project implementation.

Governance and Anticorruption

18. The Beneficiary and SIEA 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.

19. The Beneficiary and SIEA 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.