
GRANT NUMBER 0501-INO (EF)

GRANT AGREEMENT
(Strategic Climate Fund)

Community-Focused Investments to Address Deforestation and Forest Degradation Project

between

REPUBLIC OF INDONESIA

and

ASIAN DEVELOPMENT BANK
acting as an implementing entity
of the Strategic Climate Fund

DATED 26 October 2016

INO 47084

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 26 October 2016 between REPUBLIC OF INDONESIA ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB"), acting solely in its capacity as an implementing entity of the Strategic Climate Fund ("SCF").

WHEREAS

(A) ADB has established the ADB Strategic Climate Fund to receive, hold in trust and administer funds from the SCF;

(B) the Recipient has applied to ADB for a grant ("Grant") from the SCF for the purposes of the project as described in Schedule 1 to this Grant Agreement (the "Project");

(C) under the Recipient's internal planning documents, the Project is referred to as "Community-Focused Investments to Address Deforestation and Forest Degradation Project (Forest Investment Program-Project 1)"; and

(D) ADB, acting in its capacity as an implementing agency of SCF in accordance with the Financial Procedures Agreement dated 18 March 2010 between the International Bank for Construction and Development ("IBRD") and ADB ("Financial Procedures Agreement"), has agreed to administer a grant to the Recipient from the ADB Strategic Climate Fund upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Grant 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 Grant, as described in paragraph 3 of Schedule 1 to this Grant Agreement;

(c) "Environment Assessment and Review Framework" or "EARF" means the environment assessment and review framework for the Project, including any updates thereto, prepared and submitted by the Recipient and cleared by ADB;

(d) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the 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) "FMUs" means forest management units in Kapuas Hulu and Sintang districts of West Kalimantan province, each an "FMU";

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

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

(i) "Indigenous Peoples Plan" or "IPP" means the indigenous peoples plan for the Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

(j) "Indigenous Peoples Planning Framework" or "IPPF" means the indigenous peoples planning framework for the Project, including any updates thereto, prepared and submitted by the Recipient and cleared by ADB;

(k) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(l) "Initial Environmental Examination" or "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

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

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

(o) "PAM" means the project administration manual for the Project dated 25 August 2016 and agreed between the Recipient and ADB, as updated from time to time in accordance with the respective administrative procedures of the Recipient and ADB;

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

(q) "Procurement Plan" means the procurement plan for the Project dated 25 August 2016 and agreed between the Recipient and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(r) "Project Executing Agency" means the Directorate General of Social Forestry and Environmental Partnerships of the Ministry of Environment and Forestry (MOEF) or any successor thereto acceptable to ADB, which is responsible for overall carrying out of the Project;

(s) "Project Implementing Agency" means each of the Directorate of Business Development for Social Forestry and Customary Forest of MOEF, the Directorate of Environmental Services of Conservation Forest of MOEF and the Directorate of Production Forest Management Unit of MOEF, or any successors thereto acceptable to ADB, collectively, "Project Implementing Agencies";

(t) "REDD+" means reducing emissions from deforestation and forest degradation, conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries;

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

(v) "Resettlement Plan" or "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

(w) "Safeguards Monitoring Report" means each report prepared and submitted by the Recipient to ADB that describes progress with implementation of and compliance with the EMP, the RP and the IPP, including any corrective and preventative actions;

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

(y) "Works" means construction or civil works to be financed out of the proceeds of 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 Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from ADB Strategic Climate Fund in the amount of seventeen million Dollars (\$17,000,000).

ARTICLE III

Use of Proceeds of the Grant

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

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from 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 Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2022 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. (a) The Recipient through the Project Executing Agency shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards 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 auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Grant proceeds, 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 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) The Recipient through the Project Executing Agency shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient'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 Project Executing Agency, unless the Recipient through the Project Executing Agency shall otherwise agree.

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

Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as an implementing entity of the SCF. Accordingly, the Recipient agrees that (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from SCF, and (b) that ADB does not assume any obligations or responsibilities of SCF in respect of the Project or the Grant other than those set out in this Grant Agreement.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VI**Miscellaneous**

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
Directorate General of Budget Financing and Risk Management
Frans Seda Building, 6th Floor
Jalan Dr. Wahidin Raya No. 1
Jakarta 10710
Indonesia

For Correspondence:
Directorate of Loans and Grants

Facsimile Number:

+62 21 381-2859

For Disbursements

Attn: Directorate of Evaluation, Accounting and Settlement

Facsimile Number:

+62 21 384-3712

For ADB

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

Facsimile Numbers:

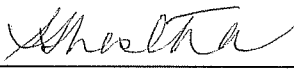
(632) 636-2444
(632) 636-2231.

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

By  _____
ROBERT PAKPAHAN
Authorized Representative

ASIAN DEVELOPMENT BANK

By  _____
SONA SHRESTHA
Officer-in-Charge
Indonesia Resident Mission

SCHEDULE 1

Description of Project

1. The objective of the Project is to improve REDD+ implementation in West Kalimantan province.
2. The Project shall comprise the following outputs:
 - (a) **Community-focused and gender-responsive REDD+ pilots in Kapuas Hulu and Sintang districts implemented** by establishing REDD+ pilots in 17 villages of four FMUs in Kapuas Hulu and Sintang districts, including the national parks of Betung Kerihun and Danau Sentarum. Activities include: (i) rehabilitating degraded land through community-based assisted natural regeneration; (ii) bringing deforested land under improved community-based agroforestry systems; (iii) formulating community-based forest management (CBFM) agreements; (iv) protecting natural forests directly and indirectly from fire through community-based forest fire management; (v) strengthening REDD+ monitoring and safeguards information systems at district level; (vi) developing spatial and business plans for FMUs, which are aligned with CBFM plans; and (vii) strengthening capacity of FMU staff and local communities, including women, on REDD+ safeguards, sustainable forest management, conflict mediation and payment for ecosystem services.
 - (b) **Provincial REDD+ strategy in West Kalimantan effectively implemented** to identify and address barriers for effective implementation of the provincial policy framework and strategy of REDD+ in West Kalimantan. Key activities include (i) strengthening the capacity of provincial staff to understand REDD+ concepts, monitor and report REDD+, prepare FMU business plans, draft REDD+ regulations and carbon accounting; (ii) establishing and linking province-wide grievance and benefit sharing mechanisms with FMUs and national systems; (iii) creating a provincial REDD+ monitoring and safeguards information system, including REDD+ activity registry; and (iv) establishing a grievance redress mechanism on tenure and REDD+ activities.
 - (c) **Sub-national fiscal policies on REDD+ harmonized with national policies.** Key activities include: (i) analyzing fiscal policies for integration of natural capital considerations to provide policy guidance to national and sub-national governments; (ii) conducting policy dialogues to assess gaps in fiscal, monitoring and benefit sharing policies and West Kalimantan forest industry strategy, and identifying measures for effective harmonization of policies; and (iii) identifying funding sources for REDD+ implementation and conducting training to prepare proposals to extend the scope, area and/or time frame of the current project.

3. The Project shall finance the consulting services for Project management and implementation support to the Project Executing Agency and Project Implementing Agencies, FMU and other Project implementing units.
4. The Project is expected to be completed by 31 December 2021.

SCHEDULE 2**Allocation and Withdrawal of Grant Proceeds**General

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

Basis for Withdrawal from the Grant Account

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

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

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

Disbursement Procedures

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

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Community-Focused Investments to Address Deforestation and Forest Degradation Project)			
Number	Item	Total Amount Allocated for SCF Financing (\$) Category	Percentage and Basis for Withdrawal from the Grant Account
1	Works, Goods and Others*	13,030,000	100% of total expenditure claimed**
2	Consulting Services	3,970,000	100% of total expenditure claimed**
	Total	17,000,000	

*Others mean livelihood improvement activities, workshops, trainings and studies and project management.

**Exclusive of taxes and duties imposed with the territory of the Recipient.

SCHEDULE 3

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 Grant 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) National Competitive Bidding;
 - (b) Shopping;
 - (c) Community Participation; and
 - (d) Direct Contracting.

4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

National Competitive Bidding

5. The Recipient and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Recipient's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Recipient and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Recipient and ADB.

Community Participation in Procurement

6. The Recipient may use community participation in procurement for smaller-value Works and Goods contracts relating to livelihood improvement activities such as, but not limited to, agro-forestry, forest and non-timber forest product processing and infrastructure for ecotourism in accordance with the agreed procedures set out in the Procurement Plan.

Conditions for Award of Contract

7. Prior to the award of any Works contract, the Recipients shall ensure or cause the Project Executing Agency to ensure that:

- (a) for any Works contract which involves environmental impacts, (i) the Ministry of Environment and Forestry has granted the final approval of the IEE; and (ii) the Project Executing Agency has incorporated the relevant provisions from the EMP into the Works contract;
- (b) for any Works contract which involves involuntary resettlement impacts, the Project Executing Agency has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP;
- (c) for any Works contract which involves impacts on indigenous peoples (including customary law communities in the territory of the Borrower), the Project Executing Agency has prepared and submitted to ADB the final IPP, and obtained ADB's clearance of such IPP; and
- (d) the Project sites are free from any encumbrances, including land tenure or ownership issues and any private concession agreements; and (ii) all land and all rights-of-way required for the Project are made available for the Project, as well as to the consultants, contractors and subcontractors engaged for the Project, as and when necessary.

Consulting Services

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

9. The Recipient shall recruit the individual consultants for in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

10. (a) The Recipient shall or shall cause the Project Executing Agency to 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 Recipient shall or shall cause the Project Executing Agency to ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

11. The Recipient shall or cause the Project Executing Agency to ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

12. Unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan, the following contracts shall be subject to prior review by ADB: (a) first two contracts relating to each of Goods, Works and livelihood improvement activities procured through national competitive bidding, shopping or community participation; (b) the consultant contract for project implementing supporting unit procured through quality- and cost-based selection; and (c) individual technical experts procured in accordance with procedures acceptable to ADB for recruiting individual consultants.

SCHEDULE 4

Execution of Project; Safeguards, Gender, Financial and Other Matters

Implementation Arrangements

1. The Recipient, the Project Executing Agency and Project Implementing Agencies 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 Recipient through the Project Executing Agency and ADB. In the event of any discrepancy between the PAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.

Counterpart Support

2. The Recipient shall ensure that the counterpart support, including taxes and duties for the Project are provided on a timely basis.

3. In addition to the foregoing, the Recipient shall ensure that the Project Executing Agency has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Consulting Services contract.

Subproject Selection Criteria

4. The Recipient shall ensure or cause the Project Executing Agency and Project Implementing Agencies to ensure that each subproject meets the following criteria, as further detailed in the PAM. Specifically, the Recipient shall ensure or cause the Project Executing Agency and Project Implementing Agencies to ensure that a subproject with any of the following activities are excluded from the Project and shall not be financed by the Grant:

- (a) (i) any subproject categorized as category A in terms of environmental impact or (ii) any activity that would give rise to significant or long-term adverse environmental impacts or implications, such as a large-scale agricultural activity, design of land conversion to convert a forest into agricultural land, agricultural programs that impact on population migration, large-scale water drainage and irrigation subprojects, construction of water channels in marsh habitat or native forest, large productive forest subprojects, conversion of mountain forest areas for transfer of uses, commercial logging, housing development, industrial plants and industrial estates, including expansion, rehabilitation or modification, reclamation and new land development or manufacturing, transportation and uses of pesticides or other toxic materials;
- (b) any subproject categorized as category A for involuntary resettlement impact; or
- (c) any subproject that would have any significant adverse impacts on indigenous peoples.

Safeguards

5. Environment. The Recipient shall ensure or cause the Project Executing Agency to ensure that the preparation, design, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Recipient relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the EARF, IEE, any EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

6. Land Acquisition and Involuntary Resettlement. The Recipient shall ensure or cause the Project Executing Agency to 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 Recipient relating to land acquisition and involuntary resettlement; (b)) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RF and any RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

7. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Recipient shall ensure or cause the Project Executing Agency to 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 RF and the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RF and the RP.

8. Indigenous Peoples and Local Communities or Customary Law Communities [Masyarakat Hukum Adat (MHA)]. The Recipient shall ensure or cause the Project Executing Agency to ensure that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Recipient relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the IPPF and any IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

9. Human and Financial Resources to Implement Safeguards Requirements. The Recipient shall make available or cause the Project Executing Agency to make available necessary budgetary and human resources to fully implement the EARF, the EMP, the RF, any RP, the IPPF and any IPP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Recipient shall ensure or cause the Project Executing Agency to 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 EARF, the IEE, the RF, any RP, the IPPF and any IPP (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 the Project Executing Agency 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 EARF, the IEE, the RF, any RP, the IPPF and any IPP;
 - (d) adequately record the condition of roads, and forest land prior to starting any Works; and
 - (e) reinstate pathways and other local infrastructure, to at least their pre-project condition upon the completion of any Works.

Safeguards Monitoring and Reporting

11. The Recipient shall do the following or cause the Project Executing Agency to 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 implementation or operation of the Project that were not considered in the EARF, the IEE, the RF, IPPF, any RP and any IPP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the activity and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EARF, IEE, the RF, the IPPF, any RP and any IPP, promptly after becoming aware of the breach.

Prohibited List of Investments

12. The Recipient shall ensure or cause the Project Executing Agency to ensure that no proceeds of the Grant are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Grievance Redress Mechanism

13. Within nine months of Effective Date or six months after the mobilization of project implementation supporting unit consultants, whichever is earlier, the Recipient shall ensure or cause the Project Executing Agency to ensure that a grievance redress mechanism at the national level is established to address safeguards and non-safeguards related issues, acceptable to ADB and in accordance with the PAM and post it publicly on the Project website with outreach to all Project areas. Additionally, within nine months of Effective Date or six months after the mobilization of project implementation supporting unit consultants, whichever is earlier, the Recipient shall ensure or cause the Project Executing Agency to ensure that a grievance redress mechanism at the provincial level is established on tenure and REDD+ issues as part of Project outputs described in paragraph 2(b)(iv) of Schedule 1.

Gender and Development

14. The Recipient shall ensure or cause the Project Executing Agency to ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to: (i) women are 30% of beneficiaries in programs to improve value chain and livelihood skills; (ii) women's groups are established to support non-timber forest products based micro-enterprise development; (iii) women are trained to manage forest-based micro-based enterprises; and (iv) women constitute at least 30% of the participants in consultation processes, members in community forest management groups, and participants of workshops and study visit on REDD+ readiness and implementation; (v) 30% of the participants in the capacity building activities targeted for FMU and district forestry agency staff are women; and (vi) proposals developed for additional funding will be gender-responsive with clear gender outcome indicators and activities specifically targeted at women's groups.

Labor Standards, Health and Safety

15. The Recipient shall ensure or cause the Project Executing Agency to ensure that the core labor standards and the Recipient's applicable laws and regulations are complied with during Project implementation. The Recipient 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 Recipient'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.

16. The Recipient shall or cause the Project Executing Agency to strictly monitor compliance with the requirements set forth in paragraph 14 above and provide ADB with regular reports.

Stakeholder Consultations and Participation

17. The Recipient shall ensure or cause the Project Executing Agency and the Project Implementation Agencies to ensure that the consultation and participation plan is implemented at the district, provincial and national levels pursuant to the stakeholder consultation and participation plan, including selection of beneficiaries of the REDD+ pilot activities under Output 1 of the Project in the target villages. All relevant community-focused forest management activities shall be implemented in agreement with local leaders and with participation of community members. Development of forest management plans will be community-based and gender inclusive in accordance with the GAP and small infrastructure and service facilities shall also be selected based on discussions and in agreement with community members.

Stakeholder Communications Strategy

18. The Recipient shall ensure or cause the Project Executing Agency and the Project Implementing Agencies to ensure compliance with the stakeholder communication strategy designed to create effective communications for (a) general knowledge and technical issues, (b) Project response and (c) Project implementation.

Project Performance Monitoring and Evaluation System

19. Within 9 months of the Effective Date or six months after the mobilization of project implementation supporting unit consultants, whichever is earlier, the Recipient shall ensure or cause the Project Executing Agency to ensure the project performance monitoring and evaluation system is developed to monitor the Project implementation progress, safeguard monitoring and benefit monitoring and evaluation.

Governance and Anticorruption

20. The Recipient, the Project Executing Agency, and the Project Implementing Agencies 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.

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

Combating Money Laundering and Financing of Terrorism

22. The Recipient shall ensure that (a) the Project Executing Agency and the Project Implementing Agencies comply with applicable laws and regulations of the Recipient on combating money laundering and financing of terrorism; and (b) Grant proceeds are not used, directly or indirectly, in money laundering or financing of terrorism.

23. ADB shall inform SCF in a timely manner if, during the implementation of this Agreement, ADB becomes aware that the Grant proceeds are being used for money laundering or financing of terrorism.