
LOAN NUMBER 3198-LAO (SF)

LOAN AGREEMENT
(Special Operations)

(Northern Smallholder Livestock Commercialization Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 19 JANUARY 2015

LAO 47300

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 19 January 2015 between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Borrower has also applied to the International Fund for Agricultural Development ("IFAD") for a loan ("IFAD Loan") in an amount of five million Dollars (\$5,000,000) and a grant ("IFAD Grant") in an amount of five million Dollars (\$5,000,000) to assist in financing a part of the Project, pursuant to agreements to be entered into between the Borrower and IFAD ("IFAD Financing Agreements"); and

(C) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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

(c) "EGDP" means an ethnic group development plan for the Project, including any update thereto, prepared and submitted by the Borrower 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) “GAP” means a gender action plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(h) “HIV/AIDS” means human immunodeficiency virus/acquired immune deficiency syndrome;

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

(j) “Initial Environmental Examination” or “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

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

(m) “LVC” means livestock value chains;

(n) “MAF” means the Borrower’s Ministry of Agriculture and Forestry, or any successor thereto;

(o) “NPMO” means a national Project management office located within MAF;

(p) “PAM” means the project administration manual for the Project dated 6 October 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(q) “PIU” means a Project implementing unit to be established within each of the Project Provinces;

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

(s) “Procurement Plan” means the procurement plan for the Project dated 6 October 2014 and agreed between the Borrower and ADB, as updated from time to time in

accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(t) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MAF, which is responsible for the carrying out of the Project;

(u) “Project facilities” means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;

(v) “Project Province” means a province where any part of the Project is carried out;

(w) “Resettlement Plan” or “RP” means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(y) “Safeguards Monitoring Report” means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP, RP and EGDP, including any corrective and preventative actions;

(z) “SLPMG” means a smallholder livestock production and marketing group; and

(aa) “Works” means construction or civil works to be financed out of the proceeds of the Loan, 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

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to fourteen million one hundred sixty-four thousand Special Drawing Rights (SDR14,164,000).

Section 2.02. (a) The Borrower 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 subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 May and 1 November in each year.

Section 2.04. The Borrower 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 Loan 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 Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

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

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. Withdrawals from the Loan 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 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2021 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower 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 audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement [as well as on the use of the procedures for imprest fund(s) and statement of expenditures]) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

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

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

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the IFAD Financing Agreements shall have become liable for suspension or cancellation.

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

ARTICLE VI

Effectiveness

Section 6.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
23rd Singha Road
P.O. Box 46
Vientiane Capital
Lao People's Democratic Republic

Facsimile Numbers:

(856-21) 412142
(856-21) 911611.

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2305.


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

LAO PEOPLE'S DEMOCRATIC
REPUBLIC

By 

H.E. THIPPHAKONE CHANTHAVONGSA
Vice Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

SANDRA NICOLL
Country Director
Lao Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to increase livestock sales from sustainable smallholder livestock production.

2. The Project shall comprise the following outputs:

Output 1. Strengthened smallholders and other LVC actors:

(a) helping to organize smallholders into SLPMGs and providing technical training oriented towards Global Good Agriculture Practice;

(b) providing technical training for other actors in the LVC to improve meat quality, animal disease control, sanitation and food safety standards; and

(c) carrying out LVC and investment environment enhancing policy and regulatory support; and

(d) cooperating with the Northern Agriculture and Forestry College to improve curricula, practicing in butchering and providing opportunities for scholarship and intern experience.

Output 2. Strengthened LVC infrastructure: assisting SLPMGs at the village level to obtain needed equipment and materials to improve production, including constructing or improving slaughtering and meat processing facilities as well as provincial and district wet markets.

Output 3. Improved capacity to access credit: Providing SLPMGs with business training for commercial livestock operations including basic book keeping, marketing and contract farming, and preparation of group as well as individual business plans for them to access LVC credits.

Output 4. Enhanced Project management: Providing support for the Project management, including building counterpart capacity to ensure that financial management and procurement, Works design and supervision, environmental and social safeguards monitoring, and the preparation of operation and maintenance plans for Project facilities are compliant with ADB, IFAD and the Borrower's requirements.

3. Unless otherwise agreed upon between the Borrower and ADB, Consulting Services may be used for (a) loan implementation; (b) policy and regulatory reform; (c) start-up; (d) accounting; (f) procurement; and (f) financial audit.

4. Unless otherwise agreed between IFAD and the Borrower, IFAD is expected to finance LVC credit activities in relation to Output 3.

5. The Project is expected to be completed by 30 June 2021.

SCHEDULE 2**Amortization Schedule****(Northern Smallholder Livestock Commercialization Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights) *
1 May 2023	295,083
1 November 2023	295,083
1 May 2024	295,083
1 November 2024	295,083
1 May 2025	295,083
1 November 2025	295,083
1 May 2026	295,083
1 November 2026	295,083
1 May 2027	295,083
1 November 2027	295,083
1 May 2028	295,083
1 November 2028	295,083
1 May 2029	295,083
1 November 2029	295,083
1 May 2030	295,083
1 November 2030	295,083
1 May 2031	295,083
1 November 2031	295,083
1 May 2032	295,083
1 November 2032	295,083
1 May 2033	295,083
1 November 2033	295,083
1 May 2034	295,083
1 November 2034	295,083
1 May 2035	295,083
1 November 2035	295,083
1 May 2036	295,083
1 November 2036	295,083
1 May 2037	295,083
1 November 2037	295,083
1 May 2038	295,083
1 November 2038	295,083
1 May 2039	295,083
1 November 2039	295,083
1 May 2040	295,083
1 November 2040	295,083
1 May 2041	295,083
1 November 2041	295,083
1 May 2042	295,083

1 November 2042	295,083
1 May 2043	295,083
1 November 2043	295,083
1 May 2044	295,083
1 November 2044	295,083
1 May 2045	295,083
1 November 2045	295,083
1 May 2046	295,083
1 November 2046	295,099
TOTAL	14,164,000

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

SCHEDULE 3**Allocation and Withdrawal of Loan 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 Loan and the allocation of the Loan 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 Loan Account

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

Interest Charge

3. The amount allocated to Category 11 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

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

Disbursement Procedures

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

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with the office refurbishment, office equipment and incremental operational costs such as travel expenses, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Northern Smallholder Livestock Commercialization Project)				
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	1,246,000		100% of total expenditures claimed
2	Vehicles and Equipment	481,000		
2A	Vehicles		292,000	100% of total expenditures claimed
2B	Motorcycles		65,000	100% of total expenditures claimed
2C	Equipment		124,000	100% of total expenditures claimed
3	Consulting Services	2,997,000		100% of total expenditures claimed
4	Implementation and Supervision	2,167,000		100% of total expenditures claimed
5	Vehicle and Equipment Operations and Maintenance	513,000		100% of total expenditures claimed
6	SLPMG equipment and materials	1,896,000		100% of total expenditures claimed
7	Farmer and value chain training and regulations	2,094,000		100% of total expenditures claimed
8	Service contracts	536,000		100% of total expenditures claimed
9	Surveys and studies	134,000		100% of total expenditures claimed
10	Audit Services	118,000		100% of total expenditures claimed
11	Interest During Implementation	479,000		100% of amount due
12	Unallocated	1,503,000		
	Total	14,164,000		

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 Loan 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 method[s] of procurement set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) 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 Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Domestic Preference

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

National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower 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 Borrower and ADB.

Conditions for Award of Contract

7. The Borrower shall not award any Works contract which involves environmental impacts until MAF has:
 - (a) obtained the final approval of the IEE from the Borrower's Ministry of Natural Resources and Environment, where applicable; and

- (b) incorporated the relevant provisions from the EMP into the Works contract.

8. The Borrower shall not award any Works contract involving involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final RP based on the detailed design, and obtained ADB's clearance of the RP.

9. The Borrower shall not award any Works contract which involve impacts on indigenous peoples until the Borrower has prepared and submitted to ADB the final EGDP and obtained ADB's clearance of the EGDP.

Consulting Services

10. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

11. The Borrower shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Least Cost Selection for financial audit.

12. The Borrower shall recruit the individual consultants for start-up, policy and regulatory reform, Project management, account and procurement in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

13. (a) The Borrower 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 Borrower 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.

14. The Borrower 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

15. 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 Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project; Environmental, Social, Financial and Other Matters

Implementation Arrangements

1. The Borrower 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 MAF and ADB. In the event of any discrepancy between the PAM and the ADB Loan Agreement, the provisions of the ADB Loan Agreement shall prevail.
2. The Borrower shall ensure that the NPMO is staffed with professionally skilled personnel, reasonable office space, equipment and adequate financial resources required throughout the Project implementation.
3. The Borrower shall ensure that the Loan proceeds are not used to pay any form of salaries and allowances to the government officials of the Borrower.

Environment

4. The Borrower shall ensure or cause the Project Provinces to ensure that the preparation, design, construction, implementation, operation and decommissioning of each community infrastructure and slaughterhouse 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 the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report. The Borrower shall further ensure that no activities with significant adverse environmental impacts are financed under the Project, and that activities are carried out in accordance with environmental assessment procedures provided in the environmental assessment and review framework as agreed between the Borrower and ADB.

Resettlement

5. The Borrower shall ensure or cause the Project Provinces to ensure that all land and all rights-of-way required for all Project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the resettlement framework prepared for the Project; and (d) all measures and requirements set forth in the respective Resettlement Plan, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.
6. Without limiting the application of the Involuntary Resettlement Safeguards, the resettlement framework for the Project or the RP, the Borrower shall ensure or cause the Project Provinces to ensure that no physical or economic displacement takes place in connection with the respective activities until:
 - (a) compensation and other entitlements have been provided to affected people in accordance with the RP;

- (b) if there are any land donations or any voluntary donation, the consultation and agreement should be recorded accordingly;
- (c) a comprehensive income and livelihood restoration program has been established in accordance with the RP; and
- (d) all related grievances on land acquisition has been addressed and resolved.

Ethnic Groups

7. The Borrower shall ensure or cause the Project Provinces to ensure that the preparation, design, construction, implementation and operation of the Project, each activity and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to ethnic groups; (b) the ethnic groups safeguards; (c) the Ethnic Group Development Framework as agreed between ADB and the Borrower; and (d) all measures and requirements set forth in the respective EGDP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

8. The Borrower shall make available or cause the Project Provinces to make available all necessary budgetary and human resources to fully implement the EMPs, the RPs and the EGDPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

9. The Borrower shall ensure or cause the Project Provinces to ensure that all bidding documents and contracts for works contain provisions that require contractors to:
- (a) comply with the measures and requirements relevant to the contractor set forth in the respective IEEs, EMPs, RPs, EGDPs and any corrective or preventative actions set out in a Safeguards Monitoring Report;
 - (b) make available a budget for all such environmental and social measures;
 - (c) provide the Borrower, through the respective Project Provinces, with a written notice of any unanticipated environmental, resettlement or ethnic minority risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the RP or the EGDP; and
 - (d) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

10. The Borrower shall do the following or shall cause the Project Provinces 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 construction, implementation or operation of the Project that were not considered in the IEEs, the EMPs, the RPs or the EGDPs, 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 EMPs, the RPs or the EGDPs promptly after becoming aware of the breach.

Prohibited List of Investments

11. The Borrower shall ensure or cause the Project Provinces to ensure that no proceeds of the Loans or Grant are used to finance any activity included in the list of prohibited investment activities provided in ADB's Appendix 5 of the SPS.

Gender and Development

12. The Borrower, through MAF, shall ensure that the GAP is fully implemented and that the gender mainstreaming activities are incorporated into the project design and undertaken during annual project implementation planning and project implementation with sufficient budget. Such activities shall include: (a) women's participation in the design consultation; (b) pro-poor activities specifically focused on women's needs; (c) equal opportunity for men and women to attend training courses and sessions of the capacity building component; (d) the appointment of NPMO and PIUs' gender focal points and the inclusion of a social and gender specialist in the project implementation consulting team to support NPMO and PIUs to address gender issues as and where necessary; (e) the proposed use of gender-disaggregated data in the benefit monitoring aspects of project monitoring and evaluation; and (f) reporting to ADB and IFAD on the above activities implementation on regular basis.

Works Contract

13. The Borrower, through the Project Provinces, shall ensure that (a) Works contractors comply with all applicable labor laws and related international treaty obligations, and (b) the bidding document for Works contracts shall include provisions to require the contractors to (i) provide equal pay for equal work; (ii) provide the timely payment of wages; (iii) use local unskilled labor, as applicable; (iv) comply with core labor standards and the applicable labor laws and regulations, including stipulations related to employment; and (v) not employ child labor or trafficked labor for any activities. The Borrower shall cause each of the Project Provinces to ensure that its relevant records of labor employment (disaggregated by gender and ethnic minority groups) are properly maintained and tracked in the Project performance monitoring system, and compliance is strictly monitored.

Governance and Anticorruption

14. The Borrower shall comply and cause the Project Provinces to comply with ADB's Anticorruption Policy (1998, as amended to date) and the Combating Money Laundering and the Financing of Terrorism Policy (2003) in their activities and operations. The Borrower (a) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; (b) agrees to cooperate fully with, and to cause each of the Project Provinces to cooperate fully with, any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation; and (c) agrees to refrain, and cause each of the Project Provinces to refrain, from engaging in money laundering activities or financing of terrorism, and allow, and cause each of the Project Provinces to allow, ADB to investigate any violation or potential violation of these undertakings.

15. The Borrower shall disclose, through the Project's website, information about various matters concerning the Project, including general project information, procurement, Project progress, and contact details in the English and Laotian languages. The website shall also provide a link to ADB's Integrity Unit (<http://www.adb.org/Integrity/complaint.asp>) for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and Project activities. 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, Works and Consulting Services procured.

Community Awareness and Beneficiary Participation

16. The Borrower, through MAF, shall ensure that Project Provinces promote active community awareness and stakeholder participation in the design, implementation and performance monitoring of activities, through (a) disseminating the nature of the proposed Project activities in open public forums, (b) establishing a mechanism for public consultation, and (c) include representation from the Lao women's union at the district and kumban level in all public consultation.

Operation and Maintenance of Project Facilities

17. The Borrower shall ensure that before the completion of each infrastructure the concerned Project Province executes a memorandum of understanding with the community, acceptable to ADB, providing: (a) the community prepare a maintenance management plan that includes estimates of the physical works and associated costs required for routine and periodic maintenance, as well as provisions for emergency repairs for the whole life of the project facilities; (b) the community includes the maintenance management plans in its annual budgets; and (c) the community establishes mechanisms for the safe and proper use for each of the project facilities in accordance with national regulations and practice, such as posting signs on roads and bridges of maximum weight limits, and as necessary to alert users of hazards or establishing physical barriers that prohibit vehicles above a certain size to pass.

LVC Credit Activities

18. The Borrower shall ensure that before the effectiveness of IFAD Financing Agreements, the Borrower shall develop, and agree with IFAD on, guidelines for use of LVC credit, which include, among other things, detailed mechanism how to operate the LVC credit, selection criteria of participating financial intermediaries, eligibility criteria of end-borrowers and project/activities.

19. Unless otherwise agreed, the Borrower shall ensure that the activities in connection with the LVC credit shall be identified, approved and implemented in compliance with the environmental and social management system for such activities, if applicable.