
LOAN NUMBER 3478-NEP(SF)

LOAN AGREEMENT
(Special Operations)

(South Asia Subregional Economic Cooperation Roads Improvement Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 18 JANUARY 2017

NEP 48337

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 18 January 2017 between NEPAL ("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; and

(B) 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) "DOR" means the Department of Roads, under the MOPIT, or any successor thereto acceptable to ADB;

(d) "Environmental Impact Assessment" or "EIA" means the environmental impact assessment for Part A of the Project, including any update thereto, prepared and submitted by the Borrower, and cleared by ADB;

(e) "Environmental Management Plan" or "EMP" means each and any environmental management plan for the Project, including any update thereto, incorporated in the EIA or the IEE, as applicable;

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

(g) "EWH" means the east west highway;

(h) "Fiscal Year" or "FY" means the Borrower's fiscal year which starts on 16 July and ends on 15 July of the following year;

(i) "GESI action plan" means the gender equality and social inclusion action plan prepared for the Project and agreed between ADB and the Borrower;

(j) "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;

(k) "Initial Environmental Examination" or "IEE" means the initial environmental examination for Part B of the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

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

(n) "MOF" means the Borrower's Ministry of Finance, or any successor thereto;

(o) "MOPIT" means the Borrower's Ministry of Physical Infrastructure and Transport, or any successor thereto acceptable to ADB;

(p) "O&M" means operation and maintenance;

(q) "PAM" means the project administration manual for the Project dated 2 September 2016 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;

(r) "PPMS" means project performance monitoring system;

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

(t) "Procurement Plan" means the procurement plan for the Project dated 2 September 2016 and agreed between the Borrower and ADB, as updated from time to time

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

(u) "Project Executing Agency" or "EA" for the purposes, and within the meaning, of the Loan Regulations means MOPIT, or any successor thereto acceptable to ADB;

(v) "Project facilities" means the road accident emergency response system and the roads and other infrastructure improved, upgraded and/or rehabilitated under the Project;

(w) "Project Implementing Agency" means DOR, or any successor thereto acceptable to ADB;

(x) "Resettlement Plan" or "RP" means each of the resettlement plans for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(y) "Safeguard Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMPs and the RPs (as applicable), including any corrective and preventative actions;

(z) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009); 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 one hundred thirty three million eight hundred twenty six thousand Special Drawing Rights (SDR133,826,000).

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 15 March and 15 September 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 exclusively 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. 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 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 July 2022 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 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 Loan 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 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**Effectiveness**

Section 5.01. 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 VI

Miscellaneous

Section 6.01. The Secretary of the MOF is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

Ministry of Finance
Singha Durbar
Kathmandu, Nepal

Facsimile Numbers:

977-1-4211164
977-1-4211165

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2340.

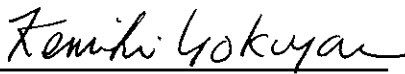
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

NEPAL

By 

SHANTA RAJ SUBEDI
Secretary
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

KENICHI YOKOYAMA
Country Director
Nepal Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve transport efficiency and safety on the Project roads.
2. The Project shall comprise:
 - Part A:** rehabilitating and upgrading of Narayanghat – Butwal road corridor (about 115 km) along the EWH;
 - Part B:** rehabilitating and upgrading of Bhairahawa – Lumbini – Taulihawa road corridor (about 45 km) in western Nepal; and
 - Part C:** establishing a road accident emergency response system.
3. Consulting Services shall be provided to support the above activities.
4. The Project is expected to be completed by 31 January 2022.

SCHEDULE 2

Amortization Schedule

(SASEC Roads Improvement Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 March 2025	2,788,042
15 September 2025	2,788,042
15 March 2026	2,788,042
15 September 2026	2,788,042
15 March 2027	2,788,042
15 September 2027	2,788,042
15 March 2028	2,788,042
15 September 2028	2,788,042
15 March 2029	2,788,042
15 September 2029	2,788,042
15 March 2030	2,788,042
15 September 2030	2,788,042
15 March 2031	2,788,042
15 September 2031	2,788,042
15 March 2032	2,788,042
15 September 2032	2,788,042
15 March 2033	2,788,042
15 September 2033	2,788,042
15 March 2034	2,788,042
15 September 2034	2,788,042
15 March 2035	2,788,042
15 September 2035	2,788,042
15 March 2036	2,788,042
15 September 2036	2,788,042
15 March 2037	2,788,042
15 September 2037	2,788,042
15 March 2038	2,788,042
15 September 2038	2,788,042
15 March 2039	2,788,042
15 September 2039	2,788,042
15 March 2040	2,788,042
15 September 2040	2,788,042
15 March 2041	2,788,042
15 September 2041	2,788,042
15 March 2042	2,788,042
15 September 2042	2,788,042
15 March 2043	2,788,042
15 September 2043	2,788,042
15 March 2044	2,788,042
15 September 2044	2,788,042
15 March 2045	2,788,042

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 September 2045	2,788,042
15 March 2046	2,788,042
15 September 2046	2,788,042
15 March 2047	2,788,042
15 September 2047	2,788,042
15 March 2048	2,788,042
15 September 2048	<u>2,788,026</u>
TOTAL	133,826,000

- * 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 4 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.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (SASEC Roads Improvement Project)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Civil Works	123,985,000	84.5% of total expenditure claimed
2	Equipment	1,433,000	100% of total expenditure claimed*
3	Consultancy Services	6,699,000	85% of total expenditure claimed
4	Interest During Construction	1,709,000	100% of amounts due
	TOTAL	133,826,000	

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

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. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Goods and Works

3. Goods and Works shall be procured on the basis of the procurement methods set forth below:

- (a) international competitive bidding;
- (b) national competitive bidding; and
- (c) shopping.

Domestic Preference

4. 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

5. 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

6. The Borrower shall not award any Works contract which involves environmental impacts until:

- (a) MOPIT has granted the final approval of the EIA or the IEE, as applicable; and

- (b) DOR has incorporated the relevant provisions from the EMPs into the Works contract.

7. The Borrower, MOPIT and DOR shall ensure that no Works commence under any Works contract which involves involuntary resettlement impacts, until the Borrower has carried out all measures and meet all requirements stated in paragraphs 7 and 8 of Schedule 5 to this Loan Agreement.

Consulting Services

8. The Borrower shall apply quality- and cost-based selection for Consulting Services.

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

Industrial or Intellectual Property Rights

10. (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.

11. 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

12. 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; Financial 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 the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Counterpart Funds

2. The Borrower shall provide counterpart funds for Project implementation on time. The MOF shall provide the required counterpart funds for the Project to MOPIT and the DOR together with the proceeds of the Loan.

Coordination among the Borrower's Agencies

3. The Borrower is fully committed to the Project and shall ensure that all its ministries, agencies and divisions involved in the implementation of the Project, including the local government authorities, give their full cooperation to ensure smooth implementation of the Project. Specifically, the Borrower shall cause the MOPIT and DOR to give full, timely and efficient cooperation in issuing any licenses, permits or approvals required in connection with road upgrade and improvements within the Project zones.

Project Website

4. Within 12 months after the Effective Date, DOR shall create a Project website to disclose information about various matters on the Project, including 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, works and services procured. The Project website need not be separate from the DOR existing website, as long as it is comprehensive and easily accessible by the public.

Grievance Redress Mechanism

5. Within 12 months after the Effective Date, DOR 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 shall (i) make public of the existence of this grievance redress mechanism, (ii) 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 (iii) proactively and constructively responding to them.

Environment

6. The Borrower shall ensure, or cause DOR to 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 Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the EIA or the IEE, as applicable, the EMPs, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Resettlement

7. The Borrower shall ensure, or cause DOR 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 Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RPs, 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 RPs, the Borrower shall ensure, or cause DOR 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 RPs; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RPs.

Human and Financial Resources to Implement Safeguards Requirements

9. The Borrower shall make available, or cause DOR to make available, necessary budgetary and human resources to fully implement the EMP and the RPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Borrower shall ensure, or cause DOR 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 EIA or the IEE as appropriate, the EMPs and RPs (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 Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the EIA or the IEE, as applicable, the EMPs or the RPs;
- (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 Borrower shall do the following or cause DOR to do the following:
- (a) submit quarterly 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 EIA or the IEE, as applicable, the EMPs or the RPs, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
 - (c) engage qualified and experienced external expert(s) or qualified NGO(s) under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external expert(s) or qualified NGO(s); and
 - (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMPs and the RPs promptly after becoming aware of the breach.

Prohibited List of Investments

12. The Borrower shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Gender

13. The Borrower shall ensure that DOR adopts and implement the GESI in a timely manner during the entire Project period, and that adequate resources are allocated for this purpose. In particular the Borrower shall cause DOR to ensure that the targets stated in

the GESI shall be achieved. Implementation of the GESI shall be closely monitored, and the progress shall be reported to ADB.

Labor, Health and Anti Human Trafficking

14. The Borrower and DOR shall ensure that the contractors comply with all applicable labor, health, and safety laws and regulations of the Borrower and, in particular, (a) do not employ child labor for construction and maintenance activities, and (b) provide appropriate facilities (latrines, etc.) for workers at construction sites. The Borrower shall require contractors not to differentiate wages between men and women for work of equal value. The Borrower and DOR shall ensure that specific clauses shall be included in bidding documents to ensure adherence to these provisions, and that compliance shall be strictly monitored during Project implementation.

15. The Borrower and DOR shall ensure that the contractors shall disseminate information on the risk of transmission of sexually-transmitted diseases, including HIV/AIDS, in health and safety programs to all construction workers employed under the Project. Specific provisions to this effect shall be included in bidding documents and civil works contracts, and compliance shall be monitored by DOR and reported to ADB.

16. The Borrower and DOR shall ensure that an awareness campaign on anti-human trafficking shall be conducted and that information and print material on anti-human trafficking shall be developed and distributed to all construction workers and the community in the Project Districts throughout the Project implementation period. Compliance shall be monitored by DOR and reported to ADB.

O&M

17. The Borrower shall ensure that DOR maintain the Project facilities and that proper technical supervision and adequate routine funds for this purpose are provided. The funds required for the O&M of the national roads shall be allocated annually and released on a timely basis. DOR shall prepare annual road maintenance management system that is updated throughout the Project period and after the Project is completed. Furthermore, the Borrower shall cause DOR to ensure that all equipment and spare parts financed under the Project shall exclusively be used for the maintenance and operation of the Project facilities.

Workshop

18. The Borrower shall ensure that during the mid-term review, DOR shall conduct a one-day workshop to share information with stakeholders on the progress of the Project, issues, lessons learned and performance improvement measures as part of the stakeholders communication strategy.

Project Performance Monitoring System

19. Within 6 months after the Effective Date, DOR with the support of consultants shall establish a project performance monitoring system in line with the targets, indicators set in the DMF. The baseline data corresponding to indicators and targets set out in the project status report shall be disaggregated by income levels and sex as required. After the initial baseline survey, DOR with support of the consultants shall conduct annual survey and

quarterly monitoring of indicators and submit quarterly report to ADB throughout project implementation.

Governance and Anticorruption

20. The Borrower, MOPIT and DOR shall (i) 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 (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

21. MOPIT and DOR 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.