
GRANT NUMBER 0409-MLD(SF)

GRANT AGREEMENT
(Special Operations)

(Preparing Outer Islands for Sustainable Energy Development Project)

between

REPUBLIC OF THE MALDIVES

and

ASIAN DEVELOPMENT BANK

DATED 9 December 2014

MLD 46122

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 9 December 2014 between REPUBLIC OF THE MALDIVES ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement;

(B) the Project will be carried out by the IAs (as defined below), and for this purpose the Recipient will make available to the IAs the proceeds of the grant provided for herein upon terms and conditions satisfactory to ADB;

(C) the Recipient has also applied to IsDB (as defined below), for a loan in an amount of ten million Dollars equivalent (\$10,000,000) for the purposes of financing a portion of the Project;

(D) the Recipient has also applied to EIB (as defined below), for a loan in an amount of fifty million Dollars equivalent (\$50,000,000) for the purposes of financing a portion of the Project;

(E) the Recipient has, through ADB, also applied to The SCF (as defined below), for a grant in an amount of twelve million Dollars (\$12,000,000) for the purposes of financing a portion of the Project; and

(F) ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and STELCO and FENAKA (both as defined below);

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

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

"Project Agreement" means the Project Agreements of even date herewith between ADB and each of "STELCO and FENAKA".

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

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 2 of Schedule 1 to this Grant Agreement;

(c) “EIB” means the European Investment Bank;

(d) “EIB Loan” means a loan to be provided by EIB to the Recipient in an amount not exceeding of fifty million Dollars equivalent (\$50,000,000) for the purposes of financing a portion of the Project;

(e) “Environmental Assessment and Review Framework” or “EARF” means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

(f) “Environmental Management Plan” or “EMP” means each environmental management plan for a Subproject, including any update thereto, incorporated in the IEE;

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

(h) “FENAKA” means the FENAKA Corporation Limited, established pursuant to Presidential Decree number 2012/5, dated 18 June 2012, and any successor thereto;

(i) “GAP” means the gender action plan prepared for the Project, including any update thereto, and agreed between the Recipient and ADB;

(j) “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;

(k) “Initial Environmental Examination” or “IEE” means each initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Recipient pursuant to the requirements set forth in the EARF 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) of the SPS;
- (m) “IsDB” means the Islamic Development Bank;
- (n) “IsDB Loan” means the loan to be provided by IsDB to the Recipient in the amount not exceeding of ten million Dollars equivalent (\$10,000,000) for the purposes of financing a portion of the Project;
- (o) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);
- (p) “MEE” means the Recipient’s Ministry of Environment and Energy, and any successor thereto;
- (q) “MOFT” means the Recipient’s Ministry of Finance and Treasury, and any successor thereto;
- (r) “MW” means mega watt;
- (s) “MWh” means mega watt hours;
- (t) “O&M” means operation and maintenance;
- (u) “PAM” means the project administration manual for the Project dated 7 August 2014 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;
- (v) “PIU” means each of the project implementing units dedicated for this Project within the project departments of STELCO and FENAKA, respectively;
- (w) “PMU” means the project management unit established by and located in MEE, for the purposes of the Project;
- (x) “PPMS” means project performance monitoring system;
- (y) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);
- (z) “Procurement Plan” means the procurement plan for the Project dated 7 August 2014 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;
- (aa) “Project Executing Agency” for the purposes of, and within the meaning of, the Grant Regulations means MOFT or any successor(s) thereto acceptable to ADB, which include managing and ensuring smooth fund flows to the IAs of the ADB, SCF grant proceeds and the EIB and IsDB loan proceeds for the Project;

(bb) "Project facilities" means the facilities to be constructed and the Goods to be provided under the Project;

(cc) "Project Implementing Agencies" or "IAs" means MEE, STELCO and FENAKA, and any successor thereto acceptable to ADB;

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

(ee) "Resettlement Plan" or "RP" means each resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Recipient pursuant to the requirements set forth in the RF and cleared by ADB;

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

(gg) "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, and the RP, including any corrective and preventative actions;

(hh) "SCF" means the ADB Strategic Climate Funds;

(ii) "SCF Grant" means the grant provided by SCF to the Recipient in the amount equivalent to twelve million Dollars (\$12,000,000) to finance a portion of the Project;

(jj) "STELCO" means the State Electric Company Limited, established pursuant to [Presidential Decree number 1997/83 dated 19 June 1997], and any successor thereto;

(kk) "Subproject" means a subproject under the Project that meets the subproject eligibility and selection criteria set forth in the PAM and referred to in paragraph 24 of Schedule 4 to this Grant Agreement;

(ll) "Subsidiary Loan Agreement" means the agreements between the Recipient on the one part and each of STELCO and FENAKA on the other part pursuant to Section 3.01(a) of this Grant Agreement; and

(mm) "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 from ADB's Special Funds resources an amount of thirty eight million Dollars (\$38,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. (a) The Recipient shall make a portion of the proceeds of the Grant available to STELCO and FENAKA upon terms and conditions satisfactory to ADB and shall cause STELCO and FENAKA to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

(b) 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 and the Project 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. Except as ADB may otherwise agree, the Recipient shall cause all items of expenditure financed out of the proceeds of the Grant to be used exclusively in the carrying out of the Project.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2020 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 and the Project Agreement.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. (a) The Recipient shall (i) maintain or cause to be maintained, 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 Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest account) 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 Recipient 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 Recipient, unless the Recipient shall otherwise agree.

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

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

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

ARTICLE V

Effectiveness

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

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of MOFT 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 and Treasury
Ameenee Magu
Male
Republic of the Maldives

Facsimile Number:

(960) 3324-432.

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2338.

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 THE MALDIVES

By

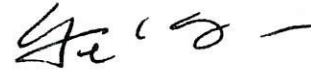


ABDULLA JIHAD

Minister of Finance and Treasury

ASIAN DEVELOPMENT BANK

By



HUN KIM

Director General
South Asia Department

SCHEDULE 1

Description of the Project

1. The objective of the Project is to reduce diesel usage for electricity generation in the outer islands and greater Male region of the Recipient.
2. The Project shall comprise:

PART A: Renewable Energy Ready Mini Grid Systems Developed for Outer Islands and greater Male region:

 - (i) preparation of detailed design; and
 - (ii) installations of equipment for solar diesel hybrid grids for about 160 outer islands and Male region.
PART B: Enhance Capacity of MEE, STELCO and FENAKA.

Consulting services shall be provided to support the above activities.
3. The Project is expected to be completed by 31 December 2019.

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 amounts of the Grant 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 with 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, by notice to 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.

Imprest Account

5. Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, an imprest account at Maldives Monetary Authority (MMA). The imprest account shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The imprest account shall only be used for the purposes of the Project. The currency of the imprest account shall be in Dollar. The ceiling for the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the

impresst account for the first 6 months of Project implementation, or (ii) the equivalent of 10% of the Grant amount.

Retroactive Financing

6. Withdrawals from the Grant 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 Grant Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Grant amount.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Preparing Outer Islands for Sustainable Energy Development Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Renewable Energy Grid Package (ADB)	5,120,000	32% of total expenditure claimed*
2	Energy Efficiency Grid Package (ADB)	25,300,000	100% of total expenditure claimed*
3	Consulting Services	3,100,000	100% of total expenditure claimed*
4	Unallocated	4,480,000	
	Total	38,000,000	

*Exclusive of taxes and duties within 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 method of procurement set forth below:
 - (a) International Competitive Bidding.
4. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Consulting Services

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

Industrial or Intellectual Property Rights

6.
 - (a) The Recipient 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 Recipient 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.
7. The Recipient 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

8. 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 Recipient and ADB and set forth in the Procurement Plan.

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

1. The Recipient shall ensure, and shall cause MEE, STELCO and FENAKA to ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Recipient and ADB. In the event of any discrepancy between the PAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.

Financing Gap and Counterpart Funds

2. In the unforeseen event that the Recipient cannot avail of the proceeds of the EIB and IsDB loans when needed, the Recipient shall undertake best efforts to find an alternative source of funding for the expenditures, failing which ADB may require the Recipient to seek a reduction of the Project scope. In all other respects, the Recipient shall make available to MEE, STELCO and FENAKA all counterpart funds required for timely and effective implementation of the Project, including, without limitation, any funds required to keep the PMU and the PIUs fully equipped and fully staffed in accordance with the requirements set out in the PAM, to mitigate unforeseen environmental and social impacts, and to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances.

3. The expenditures financed by the Grant shall be exclusive of taxes and duties within the territory of the Recipient. Recipient shall bear the taxes and exempt duties imposed in the territory of the Recipient for Goods, Works and Consulting Services used in the carrying out of the Project, in accordance with the applicable laws of the Recipient.

4. The Recipient shall provide counterpart funds for project implementation on time. The MOFT shall provide the required counterpart funds for the project to MEE, FENAKA and STELCO together with the proceeds of the Grant.

IsDB and EIB Cofinancing

5. The Recipient shall obtain the necessary approval(s) on the EIB and IsDB loans in a timely manner to support the implementation of Subprojects.

Interagency Coordination

6. The Recipient shall be fully committed to the project and shall ensure that all its ministries, agencies and divisions involved in the implementation of the project, give their full cooperation to ensure smooth implementation of the project. Specifically, the Recipient shall cause the MEE, FENAKA and STELCO full, timely and efficient cooperation in issuing any licenses, permits or approvals required in connection with the development of the solar diesel hybrid grids.

Working Group

7. The Recipient shall cause FENAKA and STELCO to form a working group, which shall comprise of finance and accounting professionals from STELCO and FENAKA, with the tasks to share practices followed in STELCO and implement in FENAKA and the outer islands. This shall include but not limited to finance and accounting processes, data collection, MIS, document control software, IT systems in accounting, procurement, inventory, billing and fixed assets etc. The working group may be involved in the implementation, support service and training of FENAKA and STELCO finance and accounting professionals including those posted on the islands. The working group shall be supported by a specialist under Part B.

Financial Covenant

8. FENAKA and STELCO shall maintain from 2017 onwards (a) a debt service coverage ratio of a minimum of 1.2; (b) a debt to equity ratio of 70:30; and (c) an accounts receivable collection of less than 2 months. FENAKA and STELCO shall incorporate measures, including financial restructuring and tariff proposals, to achieve these corporate financial ratios.

Roadmap for Renewable Energy

9. The Recipient shall finalize and start the implementation of the roadmap for renewable energy development at the latest by December 2014.

Investment Plans

10. The Maldives Energy Authority shall declare effective regulations related to investment approval, operator licensing, and tariffs by June 2015 and initiate a process for annual review and approval of the investment plans of STELCO and FENAKA subsequently.

11. The Maldives Energy Authority shall make effective the grid code for successful operation of renewable energy hybrid grids by June 2015.

Corporate Governance

12. The Recipient shall cause FENAKA and STELCO to ensure that (a) at least two independent directors shall be appointed in the board; (b) a formal, rigorous and transparent procedure for the appointment of new directors including professionals having technical, legal and financial experts in the FENAKA and STELCO Boards; (c) performance evaluation process as per Capital Markets Development Authority corporate governance code; (d) strengthen internal audit committee and recruitment of internal auditor within FENAKA; and (e) reporting of corporate governance in the annual report to be signed by the Managing Director.

13. The Recipient shall cause FENAKA to introduce and apply the new corporate accounting policy and manual by December 2014.

14. The Recipient shall cause FENAKA to prepare the design for an integrated management information system by December 2014, and install the integrated system by December 2015.

Project Website

15. Within 3 months after the Effective Date, MEE shall on its website 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/services procured.

Environment

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

Land and Involuntary Resettlement

17. The Recipient, shall ensure or cause STELCO and FENAKA to ensure that all land and all rights-of-way required for the Project, each Subproject and 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 Recipient relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

18. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Recipient shall ensure or cause STELCO and FENAKA to ensure that no physical or economic displacement takes place in connection with the Subprojects until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

Indigenous Peoples

19. The Recipient shall ensure that the Project does not have any indigenous people impact, within the meaning of ADB's SPS. In the event that the Project does have any such impact, the Recipient shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Recipient and with ADB's SPS.

Human and Financial Resources to Implement Safeguards Requirements

20. The Recipient, FENAKA and STELCO shall make available necessary budgetary and human resources to fully implement the EMP.

Safeguards Monitoring and Reporting

21. The Recipient shall ensure or cause FENAKA and STELCO 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 IEE, and the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental measures;
- (c) provide the Recipient with a written notice of any unanticipated environmental risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE and the EMP;
- (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.

22. The Recipient, FENAKA and STELCO shall do the following:

- (a) submit semiannual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE and the EMP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than 6 months after the Effective Date, engage qualified and experienced external experts or qualified NGOs 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 experts; and
- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP promptly after becoming aware of the breach.

Prohibited Investment Activities

23. The Recipient, FENAKA and STELCO shall 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.

Subproject Eligibility and Selection Criteria

24. The Recipient, STELCO and FENAKA shall ensure that each Subproject in the outer islands and greater Male region is selected and approved in accordance with the selection criteria and approval process agreed between the Recipient and ADB and set out in PAM. The Recipient, STELCO and FENAKA shall ensure that all relevant documents forming the basis for screening, selection and processing of Subproject areas are made available to ADB upon request and are kept available for such purposes for a minimum period of five years from the date of the project completion report for the Project.

Gender

25. The Recipient, FENAKA and STELCO shall ensure that: (a) a GAP is developed, if required, and implemented in accordance with its terms for each Subproject following the Gender Action Framework, which was prepared for the Project, including any update thereto, and agreed to between the Recipient and ADB; (b) the bidding documents and contracts for the Subproject include relevant provisions for contractors to comply with the targets set forth in the Subproject GAP; (c) adequate resources are allocated for the implementation of the Subproject GAP; and (d) progress toward achieving key gender outcome and output targets are regularly monitored and reported to ADB.

Labor

26. The Recipient, FENAKA and STELCO shall ensure that the contractors, comply with all applicable labor, health, and safety laws and regulations of the Recipient 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 Recipient shall require contractors not to differentiate wages between men and women for work of equal value. The Recipient, FENAKA and STELCO 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.

Operation & Maintenance

27. The Recipient, FENAKA and STELCO shall ensure that the project facilities and that proper technical supervision and adequate routine funds for this purpose are provided. The funds for the O&M shall be allocated annually and released on a timely basis. Furthermore, the Recipient, FENAKA and STELCO shall ensure that all equipment and spare parts financed under the project shall exclusively be used for the maintenance and operation of the project.

Project Performance Monitoring System

28. Within 3 months after the Effective Date, the MEE with the support of the PMU shall establish a PPMS in line with the targets and indicators set in the DMF. Within 12 months of the Effective Date, the baseline data corresponding to indicators and targets set out in the project status report shall be updated during the detailed design stage, disaggregated by income levels and gender as required.

Anticorruption

29. The Recipient, MOFT, MEE, STELCO and FENAKA 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.

30. The Recipient, MOFT, MEE, STELCO and FENAKA 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.