
LOAN NUMBER 3315-LAO(SF)

LOAN AGREEMENT
(Special Operations)

(Second Greater Mekong Subregion Corridor Towns Development Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 18 DECEMBER 2015

LAO 46443

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 18 December 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 applied to the ASEAN Infrastructure Fund ("AIF") administered by ADB for a loan in the amount of ten million Dollars (\$10,000,000) ("AIF Loan") to finance a portion of the costs of the Project; 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) "AIF" has the meaning in Recital B;

(b) "AIF Loan" has the meaning in Recital B;

(c) "AIF Loan Agreement" means the agreement between ADB and the Borrower relating to the AIF Loan;

(d) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(e) "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;

(f) “Environmental Management Plan” or “EMP” means the environmental management plan for the Project, 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) “GAP” means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Borrower, the Project Executing Agency and ADB;

(i) “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;

(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 (2015, as amended from time to time);

(m) “MPWT” means the Borrower’s Ministry of Public Works and Transport or any successor thereto;

(n) “PAM” means the project administration manual for the Project dated 15 September 2015 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;

(o) “Part” means each of Parts 1 – 11 of the Project as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(p) “PCU” means the project coordination unit established by the Department of Housing and Urban Planning, a department of the Project Executing Agency, for purposes of the Project that will have primary responsibility for, among other activities, procurement and accounting activities and financial management of the Project, all as more fully described in the PAM;

(q) “P-DPWT (Bokeo)” means the provincial Department of Public Works and Transport, Bokeo Province;

(r) “P-DPWT (Luang Namtha)” means the provincial Department of Public Works and Transport, Luang Namtha Province;

(s) “PIU” means any project implementation unit established by either Provincial Authority for purposes of any aspect of the Project that will have primary responsibility for, among other activities, day-to-day management of Project activities, all as more fully described in the PAM;

(t) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(u) "Procurement Plan" means the procurement plan for the Project dated 15 September 2015 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;

(v) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the MPWT or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(w) "Provincial Authority" means either P-DWPT (Bokeo) or P-DPWT (Luang Namtha), or, in each case, any successor thereto acceptable to ADB, which is responsible for, among other things, implementing the business plan referred to in paragraph 15 of Schedule 5 to this Loan Agreement;

(x) "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;

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

(z) "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 and the RP (as applicable), including any corrective and preventative actions; 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 twenty-six million three hundred eighty-two thousand Special Drawing Rights (SDR26,382,000).

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 February and 1 August 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. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be June 30, 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.

Section 4.04 Except as ADB may otherwise agree, any cancellation by the Borrower of any unwithdrawn amount of the Loan under Section 8.03 of the General Conditions shall be made pro-rata with the cancellation of the AIF Loan: at 79.4% in respect of the Loan and 20.6% in respect of the AIF Loan or as otherwise provided in the PAM.

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 AIF Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for cancellation of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.02(vi) of the General Conditions: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

Section 5.03. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the AIF Loan Agreement shall have been duly executed and delivered and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled or arrangements satisfactory to ADB shall have been made for the fulfillment thereof within a period of time satisfactory to ADB.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the AIF Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. 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

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

Facsimile Numbers:

(856-21) 412-142
(856-21) 911-611.

For ADB


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

Facsimile Numbers:

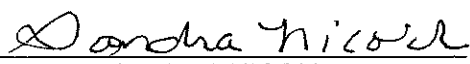
(632) 636-2444
(632) 636-2018.

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 improved urban services in the towns of Houayxay, Bokeo Province, and Luang Namtha, Luang Namtha Province, Lao PDR to enhance each town's climate resilience and green growth.

2. The Project shall comprise:

Houayxay town, Bokeo Province

- (a) Upgrading of and protection of a portion of the banks of the Mekong River in Houayxay ("Part 1");
- (b) Construction of a new urban road and riverside walkway routed parallel to the Mekong River in Houayxay ("Part 2");
- (c) Rehabilitation of Mekong River port in Houayxay, including expansion of port facilities, improved separation of port functions for boat operators, and improved port back-up facilities and on-shore facilities ("Part 3");
- (d) Development of the new Nong Than ecological park and recreation area in Houayxay ("Part 4");
- (e) Improvement of the solid waste collection, treatment and management at the existing landfill site in Houayxay and the extension of solid waste collection services from the main urban areas in Houayxay ("Part 5"); and
- (f) Upgrading of urban village roads and roadside drainage and rehabilitation of selected streamcourses in Houayxay ("Part 6");

Luang Namtha town, Luang Namtha Province

- (g) Restoration and upgrading of existing dumpsite to a controlled landfill in Luang Namtha ("Part 7");
- (h) Upgrading of village infrastructure (including roads, bridge, drainage) and improvements to wastewater collection and treatment in Luang Namtha ("Part 8");
- (i) Upgrading priority roads through the construction of roadside drainage in Luang Namtha. ("Part 9");
- (j) Upgrading of recreational park areas, sports hall and night market in Luang Namtha ("Part 10"); and
- (k) Construction of bridge over Namtha river in Luang Namtha ("Part 11").

3. The Project includes provision of Consulting Services for (a) project management, detailed design, construction supervision and safeguards implementation and monitoring and (b) capacity development activities, each as more fully described in the PAM.
4. The Project is expected to be completed by December 31, 2020.

SCHEDULE 2

Amortization Schedule

(Second Greater Mekong Subregion Corridor Towns Development Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01 February 2024	549,625
01 August 2024	549,625
01 February 2025	549,625
01 August 2025	549,625
01 February 2026	549,625
01 August 2026	549,625
01 February 2027	549,625
01 August 2027	549,625
01 February 2028	549,625
01 August 2028	549,625
01 February 2029	549,625
01 August 2029	549,625
01 February 2030	549,625
01 August 2030	549,625
01 February 2031	549,625
01 August 2031	549,625
01 February 2032	549,625
01 August 2032	549,625
01 February 2033	549,625
01 August 2033	549,625
01 February 2034	549,625
01 August 2034	549,625
01 February 2035	549,625
01 August 2035	549,625
01 February 2036	549,625
01 August 2036	549,625
01 February 2037	549,625
01 August 2037	549,625
01 February 2038	549,625
01 August 2038	549,625
01 February 2039	549,625
01 August 2039	549,625
01 February 2040	549,625
01 Aug 2040	549,625
01 February 2041	549,625
01 Aug 2041	549,625
01 February 2042	549,625
01 Aug 2042	549,625
01 February 2043	549,625
01 August 2043	549,625

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01 February 2044	549,625
01 August 2044	549,625
01 February 2045	549,625
01 August 2045	549,625
01 February 2046	549,625
01 August 2046	549,625
01 February 2047	549,625
01 August 2047	549,625
TOTAL	26,382,000

* 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 5 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, subject to the following:

(a) disbursements from the Loan other than disbursements in relation to the financing of interest and commitment charges shall be made pro-rata to disbursements from the B Loan: at 79.4% in respect of the Loan and 20.6% in respect of the AIF Loan or as otherwise provided in the PAM; and

(b) prior to a disbursement of the Loan, the Borrower shall cause, directly or indirectly through the Project Executing Agency or the relevant Provincial Authority, the PCU and each PIU to employ the necessary financial management and accounting staff to administer, implement, coordinate and undertake all financial management and accounting activities required under the PAM or as otherwise required by or agreed to with ADB.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Second Greater Mekong Subregion Corridor Towns Development Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR)	Basis for Withdrawal from the Loan Account
1	Works**	18,582,000	79.4% of total expenditure claimed*
2	Equipment and Materials**	620,000	79.4% of total expenditure claimed*
3	Consulting Services**	1,747,000	79.4% of total expenditure claimed*
4	Incremental Administration Costs**	556,000	79.4% of total expenditure claimed
5	Interest Charge	727,000	100% of amounts due
6	Unallocated	4,150,000	
	Total	26,382,000	

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

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

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this 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 methods of procurement set forth below:
 - (a) International Competitive Bidding; and
 - (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.

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 the Borrower has incorporated the relevant provisions from the EMP into the Works contract.
7. The Borrower shall not award any Works contract which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP.

Consulting Services

8. 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.

Industrial or Intellectual Property Rights

9. (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.

10. 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

11. 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

Implementation Arrangements

1. The Borrower and the Project Executing Agency 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.

Environment

2. The Borrower shall ensure or cause the Project Executing Agency to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project 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 IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

3. The Borrower shall ensure or cause the Project Executing Agency to ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

4. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Borrower shall ensure or cause the Project Executing Agency to ensure that no physical or economic displacement takes place in connection with the Project until:

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

Indigenous Peoples

5. The Borrower shall ensure that the Project does not have any indigenous peoples impacts, all within the meaning of ADB's Safeguard Policy Statement. In the event that the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with ADB's Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

6. The Borrower shall make available or cause the Project Executing Agency to make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Borrower shall ensure or cause the Project Executing Agency to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, and the RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, or resettlement risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, and the RP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

8. The Borrower shall do the following or cause the Project Executing Agency to do the following:

- (a) submit semi-annual/annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, and the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.

Prohibited List of Investments

9. 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 and Development

10. The Borrower shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to: (i) 100% of informal waste pickers near existing dumpsites ensured continued access to rehabilitated landfill sites; (ii) at least 20 persons (30% female) trained in key project management areas; (iii) at least 100 persons (50% female) involved in project implementation and delivery (community leaders, government officers, and consultants) provided gender sensitization training; (iv) the staff recruitment for the project coordination unit and project implementation units include a minimum of 30% female, of which 20% must be in decision making positions; (v) 10% of unskilled laborers employed for each sub-project construction must be women; (vi) 30% of staff employed in operations and maintenance are women; and (vii) 75% of all unskilled laborers/staff are of local origin.

Governance and Anticorruption

11. The Borrower, the Project Executing Agency, and the Provincial Authorities, as the implementing agencies, shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

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

13. Within six (6) months of the Effective Date, the Project Executing Agency shall create or modify a Project website to disclose information about various matters on the Project. The website will include information on Project procurement including the list of participating bidders, name of each winning bidder, basic details on bidding procedures adopted, the value of each contract awarded, and the list and value of goods/services procured and the intended utilization of Loan proceeds under each contract being awarded. The website shall also include general Project information, Project progress and contact details for the Project Executing Agency's counterpart staff in Laos and English languages, and shall link to ADB's Integrity Unit website at <http://www.adb.org/site/integrity/complaint-form> for reporting to ADB any grievances or allegations of corrupt practices arising out of the

Project and/or Project activities. The Borrower shall cause the Project Executing Agency to ensure that all Project staff are fully aware of ADB's procedures, including, but not limited to, procedures for implementation, procurement, use of consultants, disbursements, reporting, monitoring, and prevention of fraud and corruption.

Grievance Redress Mechanism

14. The Borrower shall through the Project Executing Agency further ensure that within nine (9) months of the Effective Date, a grievance redress mechanism (GRM) acceptable to ADB is established for non-safeguards complaints in accordance with the PAM. In each case, such GRM shall function to (a) review and document eligible complaints of Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen mechanism and/or action; and (d) prepare and make available to ADB upon request periodic reports to summarize (i) the number of complaints received and resolved; (ii) chosen actions; and (iii) final outcomes of the grievances and make these reports available to ADB upon request. Eligible non-safeguards complaints include those related to the Project, any of the service providers, any person responsible for carrying out the Project, complaints on misuse of funds and other irregularities as well as gender issues.

Sector Development; Counterpart Support; Staffing

15. (a) The Borrower shall (i) cause the Project Executing Agencies and the relevant Provincial Authority to adopt a business plan consistent with the terms and requirements of the PAM (including, but not limited to, the necessary tariffs, tariff collection rates, increases in tariff rates and collection rates for solid waste for the operational period of the relevant facilities), subject to prior consultation with ADB, for achieving full cost recovery to cover operations and maintenance expenditures of the facilities developed under Parts 5 and 7 of the Project, as applicable, prior to their physical completion; and (ii) cause each Provincial Authority to administer the applicable business plan in accordance with its terms and the PAM, including, but not limited to, the collection of all necessary tariffs and implementation of any tariff increases, as applicable.

(b) The Borrower shall (i) if there is any deficiency in the budget for the operations and maintenance of the facilities constituting either Part 5 or Part 7 of the Project, as applicable, in any fiscal year, require the applicable Provincial Authority to fund immediately such deficiency through budget allocations for such facilities; and (ii) if the applicable Provincial Authority fails to undertake its obligation under clause (b)(i) above, fund immediately such deficiency in the budget for the operations and maintenance for the facilities constituting Part 5 or Part 7 of the Project, as applicable, for the relevant fiscal year to ensure proper operations and maintenance of such facilities for the remainder of the relevant fiscal year.