
GRANT NUMBER 0464-AFG (SF)

GRANT AGREEMENT
(Special Operations)

(Energy Supply Improvement Investment Program - Project 1)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

ASIAN DEVELOPMENT BANK

DATED 19 DEC 2015

AFG 47282

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 19 Dec 2015 between ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 2 November 2015 between the Recipient and ADB, ADB has agreed to provide a multitranche financing facility to the Recipient for purposes of financing projects under the Energy Supply Improvement Investment Program;

(B) by a periodic financing request dated 2 November 2015, the Recipient has applied to ADB for two grants for the purposes of the Project described in Schedule 1 to this Grant Agreement;

(C) ADB has established a multi-donor trust fund, the Afghanistan Infrastructure Trust Fund ("AIF"), to provide cofinancing support to infrastructure projects in the territory of the Recipient, to be administered by ADB;

(D) by an agreement between the Recipient and ADB ("AIF Grant Agreement"), ADB has agreed to make to the Recipient a grant of seventy five million Dollars (\$75,000,000) from the AIF ("AIF Grant");

(E) the Project will be carried out by Da Afghanistan Breshna Sherkat ("DABS") and, for this purpose, the Recipient will make available to DABS the proceeds of the grants provided for herein and in the AIF Grant Agreement upon terms and conditions satisfactory to ADB; 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 DABS;

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.

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 paragraphs 3(c) and 3(d) of Schedule 1 to this Grant Agreement;

(c) "Environmental Assessment and Review Framework" or "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Recipient and ADB and incorporated by reference in the FFA;

(d) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

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

(f) "Facility" means the multitranche financing facility provided by ADB to the Recipient for purposes of financing projects under the Investment Program;

(g) "FAM" means the Facility administration manual dated 2 November 2015 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;

(h) "FFA" means the framework financing agreement dated 2 November 2015 between ADB and the Recipient with respect to the Facility;

(i) "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;

(j) "Initial Environmental Examination" or "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Recipient pursuant to the requirements set forth in the EARF and cleared by ADB;

(k) "Investment Program" means the Energy Supply Improvement Investment Program;

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

(n) "PFR" means the periodic financing request submitted or to be submitted by the Recipient, for the purposes of each grant under the Facility, and for the purpose of this Grant Agreement means the periodic financing request dated 2 November 2015;

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

(p) "Procurement Plan" means the procurement plan for the Project dated 2 November 2015 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;

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

(r) "Project facilities" means the facilities to be constructed, commissioned or otherwise provided under the Project;

(s) "Resettlement Framework" or "RF" means the resettlement framework for the Investment Program, including any update thereto, agreed between the Recipient and ADB and incorporated by reference in the FFA;

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

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

(v) "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;

(w) "Subsidiary Loan Agreement" means the agreement to be entered into between the Recipient and DABS for the purpose of relending the proceeds of the Grant (and the proceeds of the AITF Grant) as specified in Section 3.01(a) of this Grant Agreement; and

(x) "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 two hundred million Dollars (\$200,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. (a) The Recipient shall relend the proceeds of the Grant (and the proceeds of the AITF Grant) to DABS under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB shall otherwise agree, the terms for relending the proceeds of the Grant (and the AITF Grant) shall include a repayment period of 32 years, including a grace period of 8 years, and interest at the rate of 1% per annum during the grace period and 1.5% per annum thereafter. The foreign exchange risk shall be borne by DABS.

(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 31 December 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. 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.

Section 4.04. The Recipient shall take all actions which shall be necessary on its part to enable DABS 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

Suspension

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations:

(a) the AITF Grant shall have become liable for suspension or cancellation; and

(b) the Recipient or DABS shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreement.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations:

(a) the AITF Grant Agreement has been duly authorized, executed and delivered on behalf of the Recipient and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement and the Subsidiary Loan Agreement) have been fulfilled; and

(b) the Subsidiary Loan Agreement has been duly authorized, executed and delivered on behalf of the Recipient and DABS and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement and the AITF Grant Agreement) have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB:

(a) the AITF Grant Agreement has been duly authorized, executed and delivered on behalf of the Recipient, and is legally binding on the Recipient in accordance with its terms; and

(b) the Subsidiary Loan Agreement has been duly authorized, executed and delivered on behalf of the Recipient and DABS, and is legally binding on the parties in accordance with its terms.

Section 6.03. 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 VII

Miscellaneous

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

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

For the Recipient

Ministry of Finance
Pashtonistan Watt
Kabul, Afghanistan

Facsimile Number:

93-20-210-2838

For ADB

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

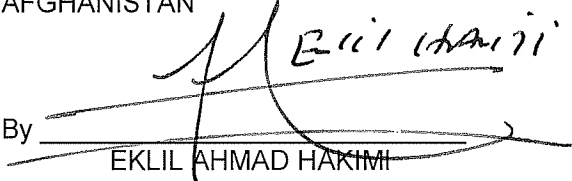
Facsimile Numbers:

(632) 636-2444
(632) 636-2301.

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.

ISLAMIC REPUBLIC OF
AFGHANISTAN


By



EKLIL AHMAD HAKIMI
Minister of Finance

ASIAN DEVELOPMENT BANK

By



THOMAS PANELLA
Country Director
Afghanistan Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Investment Program is to increase the supply of imported and indigenous power in the territory of the Recipient.

2. As a part of the Investment Program, the Project aims to increase the supply of imported power from Turkmenistan by constructing the last missing links in an expanded Turkmenistan-Afghanistan interconnection.

3. The Project shall consist of:

- (a) the construction of approximately 300 kilometers of 500 kilovolt transmission line from Sheberghan to Dashte Alwan in the territory of the Recipient;
- (b) the construction of approximately 65 kilometers of 220 kilovolt transmission line from Andkhoy to Sheberghan in the territory of the Recipient;
- (c) the development of a business plan and tariff model and framework for DABS as well as the conduct of other analytical studies; and
- (d) the preparation of projects to be financed by future tranches of the Facility, and support for the management and implementation of the Investment Program,

all as more fully described in the PFR.

4. The Project is expected to be completed by 30 June 2020.

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 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, by notice to 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.

Retroactive Financing

5. 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 Goods, Works and Consulting Services, subject to a maximum amount equivalent to 20% of the Grant amount.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Energy Supply Improvement Investment Program - Project 1)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Turnkey Contracts* **	155,000,000	100 percent of total expenditure claimed
2	Consulting Services (Program Management and Supervision, Preparation of Future Projects, and Analytical Support)**	20,000,000	100 percent of total expenditure claimed
3	Unallocated	25,000,000	
	Total	200,000,000	

* Includes security and demining.

** Financing allocated to this item under the AITF Grant Agreement will be utilized first at 100% of every claim until it has been disbursed in full. Thereafter, financing allocated to this item under this Grant Agreement will be utilized at 100% of every claim.

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 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.

Conditions for Award of Contract

5. The Recipient shall ensure that DABS will not award any Works contract for the Project which involves environmental impacts until DABS has incorporated the relevant provisions from the EMP into the Works contract.
6. The Recipient shall ensure that DABS will not award any Works contract involving involuntary resettlement impacts for the Project until the Recipient has prepared and submitted to ADB the final RP for such Project based on such Project's detailed design, and obtained ADB's clearance of such RP.
7. DABS may award a contract for Works involving involuntary resettlement impacts prior to the final RP having been submitted and cleared by ADB provided that the contract:
 - (a) is of a "design and build" or "turnkey" type under which the design must be completed for the Project before the RP is finalized; and
 - (b) expressly provides that the installation and construction phase (and commencement thereof) is strictly conditional upon: (i) the final RP based on the Project's detailed design having been submitted to, and cleared by, ADB; and (ii) DABS having notified the contractor and ADB in writing that due consultation, compensation payments and other entitlements have been provided to affected people fully in accordance with the RP.

Consulting Services

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

9. The Recipient shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Least-Cost Selection for the external monitoring and external auditing Consulting Services.

10. The Recipient shall recruit the individual consultants for the analytical support Consulting Services in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

11. (a) The Recipient shall cause DABS to ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

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

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

ADB's Review of Procurement Decisions

13. 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.

14. In the case of a contract for Goods or Works, which is subject to ADB's prior review, the Recipient shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:

- (a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Grant Closing Date, and
- (b) increases in aggregate of the original price by more than 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

15. In the case of a contract for Goods or Works, which is subject to ADB's post review, ADB shall review the required contract modification or waiver and respond to the Recipient as soon as practicable, but not later than 1 month after the receipt of the required document.

16. The Recipient shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including change orders) within 1 month following the amendment of the contract.

SCHEDULE 4

Execution of Project

Implementation Arrangements

1. The Recipient and DABS shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Recipient and ADB. In the event of any discrepancy between the FAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.
2. The Recipient shall ensure and cause DABS to ensure that ADB's consent is obtained at least 6 months prior to the implementation of any of the following: (a) any change in the ownership of any asset, facility or structure financed under the Project; (b) any sale, transfer, or assignment of interest or control in any asset, facility or structure financed under the Project; or (c) any lease or other contract or modification of the functions and authority of DABS over the operation and maintenance of any asset, facility or structure financed under the Project. The Recipient shall ensure that any such changes are carried out in a legal and transparent manner.
3. The Recipient shall ensure and cause DABS to ensure that (a) Works contracts under the Project include a security plan to ensure the safety of Project contractors' personnel and consultants in order to facilitate the smooth and uninterrupted implementation of the relevant Project activities; (b) such security plan measures allocate sufficient budget under the relevant Works contracts or through the Recipient's counterpart funding; and (c) all relevant permits are issued, and access and other requirements needed are provided, so that each of the aforesaid security plans will be successfully implemented.

Energy Regulation and Related Covenants

4. The Recipient shall do the following:
 - (a) by 31 December 2016, approve, enact and otherwise promulgate an Electricity Services Law that will, among others, clearly define the roles, responsibilities and functions of the Ministry of Energy and Water of the Recipient and DABS in relation to the development of the energy sector of the Recipient, and provide an optimal legal and regulatory framework for the participation of the private sector in such energy sector; and
 - (b) by 31 December 2016, approve, promulgate and otherwise issue a strategy, in line with best international practices and standards, for the operation and maintenance of the energy infrastructure in the territory of the Recipient, and, beginning 1 January 2017, implement such operation and maintenance strategy.
5. The Recipient shall cause DABS to prepare, approve and adopt, and thereafter implement, a 5-year business plan in compliance with the detailed requirements set out in the FAM. The business plan shall be an integrated resource plan to meet forecasted demand through a combination of supply and demand side resources and

investments over the medium term. The Recipient shall ensure that the Board of Directors of DABS finalizes and approves the specific components of the business plan by 31 December 2017, and approves and adopts the final business plan by 30 June 2018.

6. The Recipient shall cause DABS to prepare, approve and adopt a tariff model and framework which shall specify tariff structures; identify and define consumer categories; assign cost components (including energy imports, indigenous generation, transmission, distribution, losses and other costs); and arrive at end-user tariffs. The Recipient shall cause DABS to finalize the key elements of the tariff model and framework, and the tariff determination methodology, by 31 December 2017. The Recipient shall ensure that the Board of Directors of DABS approves and adopts the tariff model and framework by 30 June 2018.

7. The Recipient shall cause DABS to continually adjust tariff levels so as to ensure recovery of generation, transmission, distribution, power systems, fixed utility and other costs, through the tariff. After the tariff model and framework developed under paragraph 6 above has been approved and adopted, DABS shall adjust tariff levels and ensure cost recovery in accordance with the tariff model and framework, including the information included therein or generated thereby.

Environment

8. The Recipient shall ensure and cause DABS 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 Recipient relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

9. The Recipient shall ensure and cause DABS to ensure that all land and all rights-of-way required for the Project 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 RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

10. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Recipient shall ensure and cause DABS 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

11. The Recipient shall ensure and cause DABS to ensure that the Project does not have any indigenous peoples impact within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impact, the Recipient shall take and cause DABS to take all steps required to ensure that the Project complies with the applicable laws and regulations of the Recipient and with the Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

12. The Recipient shall make available or cause DABS 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

13. The Recipient shall ensure and cause DABS to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

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

Safeguards Monitoring and Reporting

14. The Recipient shall cause DABS to do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during the construction, implementation or operation of the

Project that were not considered in the IEE, the EMP or 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

15. The Recipient shall ensure and cause DABS to ensure that no proceeds of the Grant or the AITF Grant are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards, Health and Safety

16. The Recipient shall ensure and cause DABS to ensure that the core labor standards and the Recipient's applicable laws and regulations are complied with during Project implementation. The Recipient shall include and cause DABS to include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things, (a) comply with the Recipient's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

17. The Recipient shall strictly monitor compliance with the requirements set forth in paragraph 16 above and provide ADB with regular reports.

Gender and Development

18. The Recipient shall ensure and cause DABS to ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area consistent with ADB's Policy on Gender and Development (1998) are followed during the implementation of the Project, including (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

Governance and Anticorruption

19. The Recipient and DABS 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.

20. The Recipient and DABS shall ensure that 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.

21. The Recipient shall allow and facilitate ADB's representatives to carry out spot and random checks on: (a) the flow of funds and their use for the Project; and (b) Project work-in-progress.

22. The Recipient shall appoint dedicated staff from the agency that deals with anticorruption efforts to monitor the implementation of the Project in accordance with the mandate of the agency.

23. The Recipient shall cause DABS to maintain a website which shall include updated information on the Project, and the other projects to be carried out under future tranches of the Facility. Such information shall reflect the performance of each tranche under the Facility, business opportunities, bidding processes and guidelines, outcome of biddings, and summary progress reports for such tranche.