
LOAN NUMBER 3432-KGZ(SF)

GRANT NUMBER 0496-KGZ(SF)

FINANCING AGREEMENT
(Special Operations)
(CAREC Corridors 1 and 3 Connector Road Project)

between

KYRGYZ REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED December 2, 2016

KGZ 48401

**FINANCING AGREEMENT
(Special Operations)**

FINANCING AGREEMENT dated December 2, 2006 between the KYRGYZ REPUBLIC ("Beneficiary") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Beneficiary has applied to ADB for a loan and a grant for the purposes of the Project described in Schedule 1 to this Financing Agreement;

(B) the Beneficiary and ADB entered into a grant agreement for project design advance for the preparation of the Project in the form of a grant amounting to \$3,000,000 from ADB's Special Funds resources on the terms and conditions set forth therein; and

(C) ADB has agreed to provide financing by making a loan and a grant to the Beneficiary 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 and Grant 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 Financing Agreement for purposes of the Loan with the same force and effect as if they were fully set forth herein, subject however, to the following modifications:

(a) The term "Loan Agreement", wherever it appears in the Loan Regulations, shall be substituted by the term "Financing Agreement".

(b) The term "Borrower", wherever it appears in the Loan Regulations, shall be substituted by the term "Beneficiary" as defined in the opening paragraph of this Financing Agreement.

Section 1.02. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 ("Grant Regulations") are hereby made applicable to this Financing Agreement for purposes of the Grant with the same force and effect as if they were fully set forth herein, subject however, to the following modifications:

(a) The term "Grant Agreement", wherever it appears in the Grant Regulations, shall be substituted by the term "Financing Agreement".

(b) The term "Recipient", wherever it appears in the Grant Regulations, shall be substituted by the term "Beneficiary" as defined in the opening paragraph of this Financing Agreement.

Section 1.03 Wherever used in this Financing Agreement, the several terms defined in the Loan Regulations and the Grant Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Financing Agreement have the following meanings:

- (a) "CAREC" means Central Asia Regional Economic Cooperation;
- (b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (c) "Consulting Services" means the services to be financed out of the proceeds of the Loan or the Grant as described in paragraph 2(b) of Schedule 1 to this Financing Agreement;
- (d) "EMP" means the environmental management plan prepared for the Project, including any update thereto, incorporated in the IEE;
- (e) "Goods" means equipment and materials to be financed out of the proceeds of the Loan or the Grant; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;
- (f) "IEE" means the initial environmental examination prepared for the Project, including any update thereto, prepared and submitted by the Beneficiary and cleared by ADB;
- (g) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (h) "LARP" means the land acquisition and resettlement plan for the Project, including any update thereto, prepared and submitted by the Beneficiary and cleared by ADB;
- (i) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);
- (j) "MOTR" means the Ministry of Transport and Roads of the Beneficiary;
- (k) "PAM" means the project administration manual for the Project dated 3 August 2016 and agreed between the Beneficiary and ADB, as updated from time to time in accordance with the respective administrative procedures of the Beneficiary and ADB;
- (l) "PDA" means the project design advance referred to in Recital B of this Financing Agreement;

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

(n) "Procurement Plan" means the procurement plan for the Project dated 3 August 2016 and agreed between the Beneficiary and ADB, as updated from time to time in accordance with the Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

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

(p) "Project facilities" means the equipment, material, supplies and facilities provided or rehabilitated, or to be provided or rehabilitated, under the Project;

(q) "Project Road" means the section of the connector road between CAREC Corridors 1 and 3 as described in paragraph 2 of Schedule 1 to this Financing Agreement;

(r) "Safeguards Monitoring Report" means each report prepared and submitted by the Beneficiary to ADB that describes progress with implementation of, and compliance with, the EMP and the LARP, including any corrective and preventative actions;

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

(t) "Works" means construction or civil works to be financed out of the proceeds of the Loan or 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 Loan and the Grant

Section 2.01. ADB agrees to provide to the Beneficiary from ADB's Special Funds resources, on terms and conditions set forth in this Financing Agreement:

- (a) a loan in various currencies equivalent to forty-one million nine hundred five thousand Special Drawing Rights (SDR41,905,000) ("Loan"); and
- (b) a grant in the amount of thirty-six million seven hundred twenty thousand Dollars (\$36,720,000) ("Grant").

Section 2.02. (a) The Beneficiary 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 paragraph (a) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Financing Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 January and 15 July in each year.

Section 2.04. The Beneficiary 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 Financing 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 and the Grant

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

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

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

Section 3.04. Withdrawals from the Loan Account and the Grant Account in respect of Goods, Works, and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 January 2022, and the Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 January 2022 or, in each case, such other date as may from time to time be agreed between the Beneficiary and ADB.

ARTICLE IV

Particular Covenants

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

Section 4.02. (a) The Beneficiary shall (i) maintain separate accounts and records for the Project, including separate accounts and records for the Loan and Grant; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan and Grant proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

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

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

ARTICLE V**Effectiveness**

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

ARTICLE VI**Miscellaneous**

Section 6.01. The Minister of Finance of the Beneficiary is designated as representative of the Beneficiary for the purposes of Section 11.02 of the Loan Regulations and Section 11.02 of the Grant Regulations.

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

For the Beneficiary

58, Erkindik Boulevard
Bishkek, 720040
Kyrgyz Republic

Facsimile Number:

(996) 312 661645

For ADB

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

Facsimile Numbers:

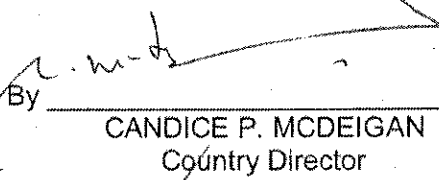
(632) 636-2444
(632) 636-2428.

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

KYRGYZ REPUBLIC

By 
ADYLBEK A. KASYMALIEV
Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 
CANDICE P. MCDEIGAN
Country Director
Kyrgyz Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to improve efficiency and safer movement of goods and people on the Project Road.
2. The Project shall comprise:
 - (a) rehabilitating approximately 70 km road section from Epkin village to Bashkugandy village, incorporating specific features for road safety and climate change adaptation; and
 - (b) strengthening institutional capacity by providing support for detailed design, construction supervision, project management, audit of the project financial statements, safeguards, preparation and implementation of road asset management system and review of pilot performance-based management contracts.
3. The Project is expected to be completed by 31 July 2021.

SCHEDULE 2**Amortization Schedule****(CAREC Corridors 1 and 3 Connector Road Project)**

<u>Payment Due Date</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 January 2025	873,021
15 July 2025	873,021
15 January 2026	873,021
15 July 2026	873,021
15 January 2027	873,021
15 July 2027	873,021
15 January 2028	873,021
15 July 2028	873,021
15 January 2029	873,021
15 July 2029	873,021
15 January 2030	873,021
15 July 2030	873,021
15 January 2031	873,021
15 July 2031	873,021
15 January 2032	873,021
15 July 2032	873,021
15 January 2033	873,021
15 July 2033	873,021
15 January 2034	873,021
15 July 2034	873,021
15 January 2035	873,021
15 July 2035	873,021
15 January 2036	873,021
15 July 2036	873,021
15 January 2037	873,021
15 July 2037	873,021
15 January 2038	873,021
15 July 2038	873,021
15 January 2039	873,021
15 July 2039	873,021
15 January 2040	873,021
15 July 2040	873,021
15 January 2041	873,021
15 July 2041	873,021
15 January 2042	873,021
15 July 2042	873,021
15 January 2043	873,021
15 July 2043	873,021

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

<u>Payment Due Date</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 January 2044	873,021
15 July 2044	873,021
15 January 2045	873,021
15 July 2045	873,021
15 January 2046	873,021
15 July 2046	873,021
15 January 2047	873,021
15 July 2047	873,021
15 January 2048	873,021
15 July 2048	<u>873,013</u>
Total	41,905,000

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

SCHEDULE 3**Allocation and Withdrawal of Loan and Grant Proceeds**General

1. The tables attached to this Schedule set forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the Grant. Table 1 sets forth the allocation of the Loan proceeds to each such Category. Table 2 sets out the allocation of the Grant proceeds to each such Category. (Reference to "Category" in this Schedule is to a Category or Subcategory of Table 1 and Table 2, respectively.)

Basis for Withdrawal from the Loan and Grant Accounts

2. Except as ADB may otherwise agree, the proceeds of the Loan and the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in Table 1 and Table 2, respectively.

Interest Charge

3. The amount allocated to Category 2 of Table 1 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of the Loan proceeds and the Grant proceeds and the withdrawal percentages set forth in Table 1 and Table 2, respectively,

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

Disbursement Procedure

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

TABLE 1

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (CAREC Corridors 1 and 3 Connector Road Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Works	36,752,000	58% of total expenditure claimed
2	Interest charge	1,464,000	100% of amounts due
3	Unallocated	3,689,000	
	Total	41,905,000	

TABLE 2

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (CAREC Corridors 1 and 3 Connector Road Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Works	20,680,000	24% of total expenditure claimed
2	Consulting Services	5,600,000	90% of total expenditure claimed
3	PDA**	3,000,000	100% of total expenditure claimed*
4	Project Management (Goods and Recurrent Cost)	2,160,000	100% of total expenditure claimed
5	Resettlement Expenses	100,000	100% of total expenditure claimed
6	Unallocated	5,180,000	
	Total	36,720,000	

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

**The amount of the PDA disbursed from Grant No. PDA 6002-KGZ(SF) as of the Effective Date of this Financing Agreement will be cancelled from this Category on the same date.

SCHEDULE 4**Procurement of Goods, Works and Consulting Services**General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Beneficiary may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
3. All terms used in this Schedule and not otherwise defined in this Financing Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

4. Goods and Works shall be procured on the basis of the procurement methods set forth below:
 - (a) International Competitive Bidding; and
 - (b) Shopping.

Conditions for Award of Contract

5. The Beneficiary shall ensure that no Works contract will be awarded until:
 - (a) the State Agency of Environmental Protection and Forestry has granted the final approval of the IEE; and
 - (b) the relevant provisions from the EMP are incorporated into the Works contract.

Consulting Services

6. Except as set forth in the paragraph below, the Beneficiary shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.
7. The Beneficiary 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 audit.

8. The Beneficiary shall recruit the individual consultants to assist in project implementation in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

9. (a) The Beneficiary 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 Beneficiary 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 Beneficiary 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 Beneficiary and ADB and set forth in the Procurement Plan.

12. In the case of a contract for Goods or Works, which is subject to ADB's prior review, the Beneficiary 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 Loan/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).

13. 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 Beneficiary as soon as practicable, but not later than 1 month after the receipt of the required document.

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

SCHEDULE 5**Execution of Project and Operation of
Project Facilities; Financial Matters**Implementation Arrangements

1. The Beneficiary 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 Beneficiary and ADB. In the event of any discrepancy between the PAM and this Financing Agreement, the provisions of this Financing Agreement shall prevail.

Counterpart Funding

2. The Beneficiary shall make available all counterpart funds required for timely and effective implementation of the Project through annual budget allocations to MOTR, and ensure that such funds are released to MOTR in a timely manner. MOTR will include the updated funding requirements for implementation of the Project in its annual development programs.

Operational/Sector Performance Covenants

3. The Beneficiary shall ensure the Project is carried out in accordance with the applicable design and technical specifications in accordance with national standards and satisfactory to ADB; and that the construction supervision, quality control, and contract management are in accordance with internationally accepted standards and practices.

4. The Beneficiary shall ensure that MOTR allocates and makes available sufficient funds for the implementation of the road asset management system and operation and maintenance of roads under MOTR's jurisdiction on a timely basis. In addition, the Beneficiary shall ensure that MOTR, within 1 year from the Project completion, classifies the Project Road as an international corridor subject to priority operation and maintenance and provides necessary funding from the second year of operation of the Project Road.

5. The Beneficiary shall ensure that after completion of Project implementation there are (a) appropriate road safety measures on the Project Road, and (b) close monitoring of pavement performance of the Project Road and prompt engagement in remedial works to strengthen the pavement when the first sign of failures occurs, such remedial works to be financed from its own resources.

Environment

6. The Beneficiary 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 Beneficiary relating to environment, health and safety; (b) the environmental safeguards requirement as set out in the SPS; and (c) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report or (ii) which are subsequently agreed between ADB and the Beneficiary.

Land Acquisition and Involuntary Resettlement

7. The Beneficiary shall 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 Beneficiary relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the LARP, and any corrective or preventative actions set forth in (i) the Involuntary Resettlement Safeguards Monitoring Report or (ii) which are subsequently agreed between ADB and the Beneficiary.

8. Without limiting the application of the Involuntary Resettlement Safeguards or the LARP, the Beneficiary shall ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to the displaced persons under the Involuntary Resettlement Safeguards as described in and in accordance with the LARP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the LARP.

Human and Financial Resources to Implement Safeguards Requirements

9. The Beneficiary shall make available necessary budgetary and human resources to fully implement the EMP and the LARP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Beneficiary shall 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, the LARP (to the extent they concern impacts on the respective affected people under the Environmental Safeguards, the Involuntary Resettlement Safeguards and the Indigenous Peoples Safeguards during construction), and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and the Beneficiary;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Beneficiary with a written notice of any unanticipated environmental and 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 LARP;

- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

11. The Beneficiary shall do the following:

- (a) submit Safeguards Monitoring Reports to ADB
 - (i) in respect of implementation of and compliance with Environmental Safeguards and the EMP, semiannually, during construction and the implementation of the Project until the issuance of ADB's Project completion report unless a longer period is agreed in the EMP; and
 - (ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards and of the LARP, semiannually during the implementation of the Project and the LARP until the issuance of ADB's Project completion report unless a longer period is agreed in the LARP;

and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards and the Involuntary Resettlement Safeguards 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 LARP, 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 and the LARP promptly after becoming aware of the breach.

Prohibited List of Investments

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

Gender and Development

13. The Beneficiary shall ensure that the principles of gender equality aimed at increasing Project benefits and impact on women in the Project area are followed during implementation of the Project. These include (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.

Labor Standards, Health and Safety

14. The Beneficiary shall ensure that the core labor standards and the Beneficiary's applicable laws and regulations are complied with during Project implementation. The Beneficiary shall 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 Beneficiary'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.

Illegal Trafficking

15. The Beneficiary shall undertake adequate measures to detect and prevent trafficking of humans, wildlife, endangered species, and illegal substances on the Project Road.

Governance and Anticorruption

16. The Beneficiary shall ensure that updated information on the Project, reflecting the performance of the Project, business opportunities, bidding process and guidelines, outcome of biddings and summary progress reports of the Project, will be disclosed on the websites of MOTR in a timely manner.

17. The Beneficiary shall comply with ADB's Anticorruption Policy (1998, as amended to date). The Beneficiary acknowledges that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project. The Beneficiary agrees to cooperate fully with any such investigation and to extend all necessary assistance for satisfactory completion of such investigation.

18. The Beneficiary shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts financed by ADB under the Project, including provisions specifying the right of ADB to audit and examine the records and accounts of MOTR and all contractors, suppliers, consultants and other service providers as they relate to the Project.

19. The Beneficiary shall ensure that throughout Project implementation, MOTR (a) maintains and regularly updates its website with information on the Project, and (b) regularly consults with the public and civil society organizations in respect of each of the foregoing matters.