
LOAN NUMBER 3631-PHI

LOAN AGREEMENT
(Ordinary Operations)

(Improving Growth Corridors in Mindanao Road Sector Project)

between

REPUBLIC OF THE PHILIPPINES

and

ASIAN DEVELOPMENT BANK

DATED 10 JANUARY 2018

PHI 41076

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 10 January 2018 between REPUBLIC OF THE PHILIPPINES ("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 Project will be carried out by the Department of Public Works and Highways ("DPWH") or any successor thereto, and for this purpose the Borrower will make available to DPWH the proceeds of the loan provided for therein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

- (a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (b) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;
- (c) "Core Subprojects" means improvement of the PR06 Alicia-Malangas road, PR07 Tampilisan-Sandayong road, and PR09 Lutiman-Guicam-Olutanga road located in Zamboanga Sibugay, Mindanao;
- (d) "DPWH" has the meaning ascribed to it in paragraph B of the Preamble;

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- (e) "EARF" means the environmental assessment and review framework for the Project, including any update thereto, agreed between the Borrower and ADB;
- (f) "EMP" means the environmental management plan for the relevant Subproject, including any update thereto, incorporated in the IEE;
- (g) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (h) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between DPWH 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) "IEE" means the initial environmental examination for the relevant Subproject, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (k) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (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 (2017, as amended from time to time);
- (n) "PAM" means the project administration manual for the Project dated 17 November 2017 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) "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 17 November 2017 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;
- (q) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means DPWH or any successor thereto



acceptable to ADB, which is responsible for the carrying out of the Project;

- (r) "Project facilities" means facilities developed, constructed, upgraded, improved, rehabilitated and/or maintained under the Project;
- (s) "RIPDF" means the resettlement and indigenous peoples development framework for the Project, including any update thereto, agreed between the Borrower and ADB;
- (t) "RIPDP" means the resettlement and indigenous peoples development plan for the relevant Subproject, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (u) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with an EMP and/or RIPDP (as applicable), including any corrective and preventative actions;
- (v) "SPS" means ADB's Safeguard Policy Statement (2009);
- (w) "Subproject" means each and any Subproject described in paragraph 2(a) of Schedule 1 to this Loan Agreement; and
- (x) "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. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of three hundred eighty million Dollars (\$380,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 23 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) 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 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:



- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.20% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.



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

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

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2024 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants


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

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

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

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

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



ARTICLE V**Effectiveness**

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI**Miscellaneous**

Section 6.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Department of Finance
DOF Building
Roxas Boulevard
Manila, Philippines

Facsimile Numbers:

(632) 523-9216
(632) 521-9495

For ADB

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

Facsimile Numbers:


(632) 636-2444
(632) 636-2015.

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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.

REPUBLIC OF THE PHILIPPINES

By

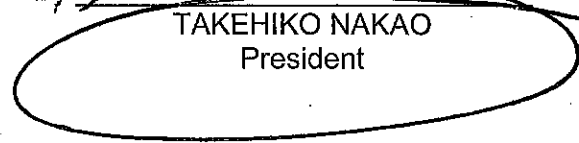

CARLOS G. DOMINGUEZ
Secretary
Department of Finance
JAN 10 2018



ASIAN DEVELOPMENT BANK

By


TAKEHIKO NAKAO
President



SCHEDULE 1**Description of the Project**

1. The objective of the Project is to improve approximately 280 kilometers (km) of national primary, secondary, and tertiary roads and bridges in Mindanao, Philippines. The Project will strengthen economic and physical linkages in Mindanao and support regional cooperation and integration.
2. The Project shall comprise the following Outputs:
 - (a) Output 1: Road Improvement under the Core Subprojects and any Subproject that is selected pursuant to paragraph 2 of Schedule 5 to this Loan Agreement and meets the following criteria:
 - (i) It constructs, reconstructs, rehabilitates, repairs, upgrades or otherwise improves national primary, secondary or tertiary roads and bridges in Mindanao;
 - (ii) It is technically feasible;
 - (iii) It is not classified as category A under the SPS for environmental impacts; and
 - (iv) It is economically viable and shall have demonstrated an economic internal rate of return (EIRR) equal to or greater than 10%. An economic analysis shall have been conducted in accordance with ADB's *Guidelines for the Economic Analysis of Projects*.
 - (b) Output 2: Detailed Engineering Design for technically feasible and economically viable projects, other than those described in Output 1.
 - (c) Output 3: Institutional Capacity Development for DPWH to strengthen multi-year planning, fiscal accountability, and human resource management.
3. The Project shall also provide Consulting Services in relation to the Project's Outputs, including preparation, assessment, detailed design, implementation, administration, management, audit, monitoring and reporting.
4. The Project is expected to be completed by 31 December 2023.



SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due Date</u>	<u>Installment Share</u> (expressed as a %)
15 May 2025	2.173913
15 November 2025	2.173913
15 May 2026	2.173913
15 November 2026	2.173913
15 May 2027	2.173913
15 November 2027	2.173913
15 May 2028	2.173913
15 November 2028	2.173913
15 May 2029	2.173913
15 November 2029	2.173913
15 May 2030	2.173913
15 November 2030	2.173913
15 May 2031	2.173913
15 November 2031	2.173913
15 May 2032	2.173913
15 November 2032	2.173913
15 May 2033	2.173913
15 November 2033	2.173913
15 May 2034	2.173913
15 November 2034	2.173913
15 May 2035	2.173913
15 November 2035	2.173913
15 May 2036	2.173913
15 November 2036	2.173913
15 May 2037	2.173913
15 November 2037	2.173913
15 May 2038	2.173913
15 November 2038	2.173913
15 May 2039	2.173913
15 November 2039	2.173913
15 May 2040	2.173913
15 November 2040	2.173913
15 May 2041	2.173913
15 November 2041	2.173913



<u>Payment Due Date</u>	<u>Installment Share</u> (expressed as a %)
15 May 2042	2.173913
15 November 2042	2.173913
15 May 2043	2.173913
15 November 2043	2.173913
15 May 2044	2.173913
15 November 2044	2.173913
15 May 2045	2.173913
15 November 2045	2.173913
15 May 2046	2.173913
15 November 2046	2.173913
15 May 2047	2.173913
15 November 2047	<u>2.173915</u>
TOTAL	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:


- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (a) the exchange rate that reflects the amounts of principal

in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.



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).

Basis for Withdrawal from the Loan Account

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

Interest and Commitment Charges

3. The amount allocated to the Category "Interest and Commitment Charges" is for financing interest and commitment charges on the Loan during implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay itself, on behalf of the Borrower, the amounts required to meet payments, when due, of the interest and commitment charges.


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 expenditures in that Category, ADB may, in consultation with 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 expenditures of such Subproject, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals 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, in consultation with the Borrower, reallocate such excess amount to another Category.

Disbursement Procedures

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



TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing \$	Basis for Withdrawal from the Loan Account
		Category	
1	Works	305,600,000	85.2% of total expenditure claimed
2	Consulting Services	46,220,000	90% of total expenditure claimed
3	Interest and Commitment Charges	28,180,000	100% of amounts due
	TOTAL	380,000,000	

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SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods and 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 method and the selection method set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement method and the selection method 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 Loan 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 herein:
 - (a) International Competitive Bidding; and
 - (b) National Competitive Bidding.

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Conditions for Award of Contract

6. The Borrower shall not award any Works contract which involves environmental impacts until:
 - (a) the Department of Environment and Natural Resources of the Borrower has granted the final approval of the IEE; and
 - (b) the Borrower has incorporated the relevant provisions from the EMP into the Works contract.
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7. The Borrower shall not provide site possession to Works contractor in relation to any encumbered sites which involves involuntary resettlement and/or indigenous peoples impacts, until the Borrower has prepared and submitted to ADB the final RIPDP based on the Project's detailed design, and obtained ADB's clearance of such RIPDP.

Consulting Services

8. The Borrower shall apply Quality- and Cost-Based Selection for Consulting Services.

Industrial or Intellectual Property Rights


9. (a) The Borrower, through DPWH, 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, through DPWH, 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 and national competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.



SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower, through DPWH, 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.


Subproject Selection

2. The Borrower, through DPWH, shall ensure that each candidate Subproject is processed and considered for financing hereunder as follows:

- (a) a feasibility study of the candidate Subproject is prepared and requisite governmental approvals are obtained;
- (b) environmental clearance and compensation plan are approved by relevant authority(ies);
- (c) IEE and RIPDP (if applicable), are prepared, in English, in accordance with SPS and consistent with EARF and RIPDF, and reviewed and endorsed;
- (d) ADB is provided confirmation in writing that based on appraisal report of such candidate Subproject satisfies the criteria set forth in paragraph 2(a) of Schedule 1 hereof;
- (e) candidate Subproject's feasibility study summary, IEE and RIPDP (if required), in English, are submitted to ADB for review; and
- (f) Subprojects that are estimated to cost at least \$1,000,000 are considered and approved by ADB, and Subprojects below \$1,000,000 are considered and commented on by ADB at its discretion.

Environment

3. The Borrower, through DPWH, 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 Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the relevant IEE, EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.



Land Acquisition and Involuntary Resettlement

4. The Borrower, through DPWH, 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 Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the relevant RIPDP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

5. Without limiting the application of the Involuntary Resettlement Safeguards or the RIPDPs, the Borrower shall ensure or cause DPWH 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 relevant RIPDP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the relevant RIPDP.

Indigenous Peoples

6. The Borrower, through DPWH, shall ensure that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the relevant RIPDP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

7. The Borrower shall make available or cause DPWH to make available necessary budgetary and human resources to fully implement the EMPs and the RIPDPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. The Borrower, through DPWH, 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 relevant IEE, EMP and RIPDP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that



arise during construction, implementation or operation of the Project that were not considered in the relevant IEE, EMP and RIPDP;

- (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

9. The Borrower shall, through DPWH, do the following:

- (a) submit semiannual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the relevant IEE, EMP or RIPDP, 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 relevant EMP or RIPDP promptly after becoming aware of the breach.

Prohibited List of Investments

10. 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.

Labor Standards, Health and Safety

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

12. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 11 above and provide ADB with regular reports.



Gender and Development

13. The Borrower, through DPWH, 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) the following key gender targets are achieved: (i) Project roads have integrated road safety and accessibility-related physical design features which effectively protect and address specific needs of women, children, elderly and people with disabilities, where appropriate; (ii) a minimum of 300 Project area's residents (150 females, 150 males) become qualified to conduct road safety awareness campaigns and obtain employment for doing so; and (iii) at least 25% of technical staff from DPWH headquarters and regional offices who participate in trainings are women.

Counterpart Support

14. The Borrower shall endeavor that DPWH has sufficient funds to satisfy its obligations arising from any Works, Goods and/or Consulting Services contract.

Operation and Maintenance

15. The Borrower shall endeavor that appropriate budgetary allocations are made for the continued operation and maintenance (O&M) of the Project roads once they have been commissioned and are operational. The Borrower shall further endeavor that ADB is provided with annual reports showing the amount of funds allocated and spent on O&M activities for each Project facility following its respective commissioning until 5th anniversary of the Project completion.

Governance and Anticorruption

16. The Borrower 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.

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

Grievance Redress Mechanism

18. The Borrower, through DPWH, shall ensure that safeguards grievance redress mechanisms acceptable to ADB are established in accordance with the provisions of the IEE, the EMP and the RIPDP at the unified project management office (UPMO), within the timeframes specified in the relevant IEE, EMP and RIPDP, to consider safeguards complaints.



19. The Borrower, through DPWH, shall ensure that within 90 days following the Effective Date, a grievance redress mechanism acceptable to ADB is established for non-safeguards complaints in accordance with the PAM. In each case, such grievance redress mechanism 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, the Subprojects, any of the service providers, any person responsible for carrying out the Project or Subprojects, complaints on misuse of funds and other irregularities as well as gender issues.

Project Website

20. The Borrower and DPWH shall maintain a Project website which shall be regularly updated. The Project website shall include information on (a) bidding procedures, bidders, and contract awards; (b) use of the funds disbursed under the Project; (c) physical progress of the Project; and (d) grievance redress mechanism(s).

21. The Borrower shall ensure through DPWH that vital information for all Project/Subproject roads is made publicly accessible on the Internet through the geotagging feature of the DPWH's Project Contract Management Procedures and Applications.

