LOAN NUMBER 3635-VIE(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])

(Basic Infrastructure for Inclusive Growth in the North Central Provinces Sector Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 23 July 2018

VIE 49026

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 23 July 2018 between SOCIALIST REPUBLIC OF VIET NAM ("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 provinces of Ha Tinh, Nghe An, Quang Binh, and Quang Tri ("Project Provinces"), and for this purpose the Borrower will make available to the Project Provinces the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB;

(C) by an agreement of even date herewith between the Borrower and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to lend to the Borrower from ADB's Ordinary Capital resources an amount of fifty-two million Dollars ($52,000,000) in connection with the Project ("Ordinary Operations Loan"); and

(D) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the Project Provinces;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) 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) "Candidate Subproject" means a candidate subproject for financing under the Project, a list of which has been agreed upon between the Project Provinces and ADB and provided in the PAM;

(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 and the Ordinary Operations Loan to help in carrying out activities as described in Schedule 1 to this Loan Agreement;

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

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

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

(g) "GAP" means the gender action plan for the Project, including any update thereto, prepared and submitted by the Project Provinces and cleared by ADB;

(h) "Goods" means equipment and materials to be financed out of the proceeds of the Loan and the Ordinary Operations Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(i) "HIV/AIDS" means human immunodeficiency virus/acquired immune deficiency syndrome;

(j) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

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

(l) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);

(n) "Onlending Agreement" means the agreement or agreements entered into between the Borrower and each of the Project Provinces for the purposes of relending a portion of the proceeds of (i) this Loan as specified in Section 3.01 of this Loan Agreement, and (ii) the Ordinary Operations Loan as specified in Section 3.01 of the Ordinary Operations Loan Agreement;

(o) "PAM" means the project administration manual for the Project dated 31 October 2017 and agreed between the Project Provinces and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

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

(q) "Procurement Plan" means the procurement plan for the Project dated 31 October 2017 and agreed between the Project Provinces and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(r) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means each of the Project Provinces, which is responsible for the carrying out of the Project;

(s) "Project facilities" means facilities developed, constructed, updated and/or maintained under the Project;

(t) "Project Province" means each of the Borrower's provinces of Ha Tinh, Nghe An, Quang Binh, and Quang Tri where the Project is carried out;

(u) "Resettlement and Ethnic Minority Development Framework" or "REMDF" means the resettlement and ethnic minority development framework for the Project, including any update thereto, prepared and submitted by the Project Provinces and cleared by ADB;

(v) "Resettlement and Ethnic Minority Development Plan" or "REMDP" means each resettlement and ethnic minority development plan for a Subproject, including any update thereto, prepared and submitted by the Project Provinces pursuant to the requirements set forth in the REMDF and cleared by ADB;

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

(x) "Safeguards Monitoring Report" means each report prepared and submitted by the Project Provinces to ADB that describes progress with implementation of, and compliance with, the EMPs and the REMDPs (as applicable), including any corrective and preventative actions;

(y) "Subproject" means a subproject to be selected and carried out in accordance with paragraph 15 of Schedule 5 to this Loan Agreement and the relevant provisions of the PAM; and

(z) "Works" means construction or civil works to be financed out of the proceeds of the Loan and the Ordinary Operations 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 ninety-seven million Dollars ($97,000,000).

(b) The Loan has a principal repayment period of 20 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 an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

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 Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall (i) make a portion of the proceeds of the Loan available to the Project Provinces through budget allocation, and (ii) relend the balance of the proceeds of the Loan to the Project Provinces under the respective Onlending Agreements, all upon terms and conditions satisfactory to ADB.

(b) 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 and the Project 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. Withdrawals from the Loan 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 30 September 2023 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 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 and the Project Agreement.

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

Section 4.03. The Borrower shall take all actions which shall be necessary on its part to enable the Project Provinces to perform their obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.04. (a) The Borrower shall exercise its rights under the Onlending Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

ARTICLE V

Effectiveness

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

ARTICLE VI

Delegation of Authority

Section 6.01. The Borrower hereby designates the Project Provinces as its agents for the purposes of taking any action or entering into any agreement required or permitted under Section 3.03 of this Loan Agreement and under Sections 5.01, 5.02 and 5.03 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by the Project Provinces pursuant to the authority conferred under Section 6.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 6.03. The authority conferred on the Project Provinces under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VII

Miscellaneous

Section 7.01. The Governor of the State Bank of Vietnam of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

State Bank of Vietnam
47 – 49 Ly Thai To
Hanoi, Viet Nam

Facsimile Numbers:

(84-4) 38250-612
(84-4) 38258-385

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2331.

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.

SOCIALIST REPUBLIC OF VIET NAM

By _____
LE MINH HUNG
Governor
State Bank of Vietnam

ASIAN DEVELOPMENT BANK

By _____
ERIC SIDGWICK
Country Director
Vietnam Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to enhance opportunities for inclusive economic growth in the Project Provinces.

2. The Project shall comprise the following Outputs.

Output 1: Transport infrastructure in the Project Provinces improved. Carrying out Subprojects to upgrade and construct climate resilient provincial and district roads, including road safety measures and safety programs to vulnerable road users along the road sections.

Output 2: Productive infrastructure for business development improved. Carrying out Subprojects to construct, upgrade, rehabilitate or stabilize with climate resilient measures of (a) rural domestic water supply schemes; (b) coastal defenses through upgrading sea and river defenses, including dykes, embankments and canals; (c) a river port; (d) conversion of abandoned salt farms into aquaculture based enterprises through the development of operational and processing infrastructure; (e) agriculture support infrastructure; and (f) a reservoir.

Output 3: Decentralized public asset management processes established. Supporting the implementation of the Borrower's decentralized public asset management program.

3. The Project is expected to be completed by 31 March 2023.

SCHEDULE 2

Amortization Schedule

Payment Due	Payment of Principal (expressed in US$)
15 January 2023	2,425,000
15 July 2023	2,425,000
15 January 2024	2,425,000
15 July 2024	2,425,000
15 January 2025	2,425,000
15 July 2025	2,425,000
15 January 2026	2,425,000
15 July 2026	2,425,000
15 January 2027	2,425,000
15 July 2027	2,425,000
15 January 2028	2,425,000
15 July 2028	2,425,000
15 January 2029	2,425,000
15 July 2029	2,425,000
15 January 2030	2,425,000
15 July 2030	2,425,000
15 January 2031	2,425,000
15 July 2031	2,425,000
15 January 2032	2,425,000
15 July 2032	2,425,000
15 January 2033	2,425,000
15 July 2033	2,425,000
15 January 2034	2,425,000
15 July 2034	2,425,000
15 January 2035	2,425,000
15 July 2035	2,425,000
15 January 2036	2,425,000
15 July 2036	2,425,000
15 January 2037	2,425,000
15 July 2037	2,425,000
15 January 2038	2,425,000
15 July 2038	2,425,000
15 January 2039	2,425,000
15 July 2039	2,425,000
15 January 2040	2,425,000
15 July 2040	2,425,000
15 January 2041	2,425,000
15 July 2041	2,425,000
15 January 2042	2,425,000
15 July 2042	2,425,000
TOTAL	97,000,000

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

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

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be 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 Charge

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

Reallocation

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

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

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

Schedule 3

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for:

(a) Category 1A, until the Onlending Agreement between the Ministry of Finance of the Borrower and the Nghe An Province, in form and substance satisfactory to ADB, has been duly authorized by, and executed and delivered on behalf of, the Borrower (or its authorized government entity) and the Nghe An Province, and is legally binding upon the parties thereto in accordance with its terms;

(b) Category 1B, until the Onlending Agreement between the Ministry of Finance of the Borrower and the Ha Tinh Province, in form and substance satisfactory to ADB, has been duly authorized by, and executed and delivered on behalf of, the Borrower (or its authorized government entity) and the Ha Tinh Province, and is legally binding upon the parties thereto in accordance with its terms;

(c) Category 1C, until the Onlending Agreement between the Ministry of Finance of the Borrower and the Quang Binh Province, in form and substance satisfactory to ADB, has been duly authorized by, and executed and delivered on behalf of, the Borrower (or its authorized government entity) and the Quang Binh Province, and is legally binding upon the parties thereto in accordance with its terms; and

(d) Category 1D, until the Onlending Agreement between the Ministry of Finance of the Borrower and the Quang Tri Province, in form and substance satisfactory to ADB, has been duly authorized by, and executed and delivered on behalf of, the Borrower (or its authorized government entity) and the Quang Tri Province, and is legally binding upon the parties thereto in accordance with its terms.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS				
Number	**Item**	**Total Amount Allocated for ADB Financing ($)**		**Basis for Withdrawal from the Loan Account**
		Category	**Subcategory**	
1	Project Costs*	94,500,798		
1A	for Nghe An Province**		23,639,949	100% of total expenditure claimed***
1B	for Ha Tinh Province**		23,624,433	100% of total expenditure claimed***
1C	for Quang Binh Province**		23,633,171	100% of total expenditure claimed***
1D	for Quang Tri Province**		23,603,245	100% of total expenditure claimed***
2	Interest Charge	2,499,202		100% of amounts due
	TOTAL	97,000,000		

* This Loan will be first used up before starting withdrawal of the Ordinary Operations Loan.
** Subject to the condition for withdrawal described in paragraph 6 of Schedule 3.
*** Exclusive of taxes and duties imposed within the territory of the Borrower.

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 Borrower 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 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 below:

(a) National Competitive Bidding; and

(b) Shopping.

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 Project Provinces shall not award any Works contract for the respective Subprojects which involves environmental impacts until it has:

(a) obtained the final approval of the IEE from the Borrower's competent authority; and

(b) incorporated the relevant provisions from the EMP into the Works contract.

7. The Project Provinces shall not award any Works contract for a Subproject involving involuntary resettlement and/or Indigenous peoples impacts until the relevant Project Province has prepared and submitted to ADB the final REMDP for the Subproject based on the Subproject's detailed design, and obtained ADB's clearance of the REMDP.

Consulting Services

8. Except as set forth in the paragraph below, the Borrower shall apply Quality- and Cost-Based Selection for Consulting Services.

9. The Borrower shall apply the following selection method for the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Fixed Budget Selection for Project audit.

Industrial or Intellectual Property Rights

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

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

11. 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

12. 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; Environmental, Social, Financial and Other Matters

Implementation Arrangements

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

Environment

2. The Borrower shall ensure or cause the Project Provinces to ensure that the preparation, design, construction, implementation, operation and decommissioning of each Subproject 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; (c) the EARF; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

3. The Borrower shall ensure or cause the Project Provinces to ensure that no Subproject which meets the ADB's Category A environmental criteria as defined under the Safeguard Policy Statement shall be financed under the Project.

Involuntary Resettlement

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

5. The Borrower shall ensure or cause the Project Provinces to ensure that no Subproject which meets the Involuntary Resettlement Category A as defined under the Safeguard Policy Statement shall be financed under the Project.

6. Without limiting the application of the Involuntary Resettlement Safeguards, the REMDF or the REMDP, the Borrower shall ensure or cause the Project Provinces to ensure that no physical or economic displacement takes place in connection with the Subprojects until:

(a) compensation and other entitlements have been provided to affected people in accordance with the REMDP; and

(b) a comprehensive income and livelihood restoration program has been established in accordance with the REMDP.

Indigenous Peoples and Vulnerable Groups

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

8. The Borrower shall ensure or cause the Project Provinces to ensure that no Subproject which meets the Indigenous Peoples Category A as defined under the Safeguard Policy Statement shall be financed under the Project.

Human and Financial Resources to Implement Safeguards Requirements

9. The Borrower shall make available and cause the Project Provinces to make available necessary budgetary and human resources to fully implement the EMPs and the REMDPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

10. The Borrower shall ensure or cause the Project Provinces 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 REMDP (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; and

(c) provide the relevant Project Provinces 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 IEE, the EMP or the REMDP.

Safeguards Monitoring and Reporting

11. The Borrower shall do the following or shall cause the Project Provinces to 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 IEE, the EMP or the REMDP, 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 REMDP promptly after becoming aware of the breach.

Prohibited List of Investments

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

Gender and Development

13. The Borrower shall ensure or cause the Project Provinces to ensure that (a) the GAP is implemented in accordance with its terms; (b) adequate resources are allocated for implementation of the GAP; (c) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are quarterly monitored and reported to ADB and (d) gender targets include those set forth in the PAM, subject to the subproject being implemented.

Labor Standards, Health and Safety

14. 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) do not restrict the workers from using a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; 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. The Borrower shall strictly monitor compliance with the requirements set forth in this paragraph and provide ADB with regular reports.

Selection and Implementation of Subprojects

15. The Borrower shall ensure or cause the Project Provinces to ensure that (a) only Candidate Subprojects are considered for financing under the Project; (b) Candidate Subprojects in each Project Province are taken up in the order of priority as indicated in the PAM; (c) feasibility studies and detailed design for such Candidate Subprojects are carried out in accordance with the relevant provisions under the PAM; and (d) only Candidate

Subproject which meets feasibility criteria as provided in the PAM is financed as a Subproject under the Project.

Community Awareness and Beneficiary Participation

16. The Borrower shall ensure that Project Provinces promote active community awareness and stakeholder participation in the design, implementation and performance monitoring of Subprojects, through (a) disseminating the nature of the proposed Works in open public forums, and (b) establishing a mechanism for public consultation during Project physical implementation activities.

Counterpart Support

17. The Borrower shall cause the Project Provinces to ensure that the counterpart funding required for successful Project implementation is timely allocated and provided. The Borrower shall further cause the Project Provinces to adequately staff and equip their respective Project management offices.

18. In addition to the foregoing, the Borrower shall ensure that the Project Provinces have sufficient funds to satisfy their liabilities arising from any Works, Goods and/or Consulting Services contract.

Operation and Maintenance of Project Facilities

19. The Borrower shall ensure that each of the Project Provinces shall (a) prepare a maintenance management plan that includes estimates of the physical works and associated costs required for routine and periodic maintenance, as well as provisions for emergency repairs for the whole life of the Project facilities; (b) include the maintenance management plans in its annual budgets and provide adequate funds in a timely manner from provincial budgets to implement the maintenance management plan; and (c) establish mechanisms for the safe and proper use for each of the Project facilities in accordance with national regulations and practice, including, but not limited to, posting signs on roads and bridges of maximum weight limits, and as necessary alerting users of hazards or establishing physical barriers that prohibit vehicles above a certain size to pass.

Financial Management

20. The Borrower shall ensure that the financial management action plan as agreed between the Project Provinces and ADB and included in the PAM is implemented in accordance with the agreed timeframe as indicated in the PAM, but in any case within one year of the Effective Date.

Governance and Anticorruption

21. The Borrower (a) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (b) agrees to cooperate, and shall cause the Project Provinces, and all other offices of the Borrower, organizations and entities involved in implementing the Project to cooperate, fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory

completion of any such investigation. In particular, the Borrower shall ensure that (a) periodic audit of the Project contractor's activities related to fund withdrawals and settlements are carried out; (b) relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the Project; and (c) contracts financed under the Project include provisions specifying the right of ADB to audit and examine the records and accounts of Project Provinces, contractors, suppliers, consultants and other service providers as they relate to the Project.