
LOAN NUMBER 4320-NEP(COL)
[Additional Financing to Loan 3620-NEP]

LOAN AGREEMENT
(Ordinary Operations [Concessional])
(Rural Connectivity Improvement Project – Additional Financing)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 31 OCTOBER 2023

NEP 48218

**LOAN AGREEMENT
(Ordinary Operations [Concessional])**

LOAN AGREEMENT dated 31 October 2023 between NEPAL ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 12 February 2018 between the Borrower and ADB ("Initial Loan Agreement"), ADB has agreed to provide a concessional loan from its ordinary capital resources in various currencies equivalent to seventy-one million two hundred forty-nine thousand Special Drawing Rights (SDR71,249,000) to the Borrower for the purposes of financing expenditures of the project described in Schedule 1 of the Initial Loan Agreement ("Initial Project");

(B) the Borrower has applied to ADB for a loan for the purposes of scaling up the Initial Project as described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out by the Borrower's Ministry of Urban Development acting through the Department of Local Infrastructure ("DOLI") and the Project Provinces acting through the Project Implementing Agencies (as defined below), and for this purpose the Borrower will make available to the Project Provinces a portion of the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; 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, Borrower's Ministry of Urban Development and the Project Provinces;

NOW THEREFORE the parties hereto 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 2022 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(w) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB, the Project Executing Agency and the Project Provinces, as such agreement may be amended from time to time; and such Project Agreement includes all schedules to the project agreement; and

- (b) The term "Project Executing Agency" appearing in Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the term "each of the Project Executing Agency and the Project Provinces".

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 Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (b) "CPRP" means the community participation and resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (c) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (d) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (e) "GESI-AP" means the gender equality and social inclusion action plan prepared for the Initial Project and revised for the Project, including any update thereto, and agreed to between the Borrower and ADB;
- (f) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (g) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (h) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (i) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2022, as amended from time to time);
- (j) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (k) "PAM" means the project administration manual for the Project dated 3 April 2023 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;

- (l) "PCU" means project coordination unit;
- (m) "PIU" means project implementation unit;
- (n) "Procurement Plan" means the procurement plan for the Project as included in the PAM and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (o) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (p) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (q) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Borrower's Ministry of Urban Development acting through the Department of Local Infrastructure or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (r) "Project facilities" means the facilities or assets to be constructed, rehabilitated, improved, upgraded or financed under the Project;
- (s) "Project Implementing Agency" means each of the Ministry of Physical Infrastructure Development of Koshi Province, the Ministry of Physical Infrastructure Development and Transport Management of the Gandaki Province, the Ministry of Physical Infrastructure Development of the Lumbini Province, the Ministry of Physical Infrastructure Development of Bagmati Province and the Ministry of Physical Infrastructure and Urban Development of Karnali Province, or any successor of each thereto acceptable to ADB;
- (t) "Project Province" means the Bagmati Province, Gandaki Province, Karnali Province, Lumbini Province, and Koshi Province of the Borrower, each acting through its respective Project Implementing Agency;
- (u) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP and the CPRP (as applicable), including any corrective and preventative actions;
- (v) "Services" means Consulting Services and Nonconsulting Services;
- (w) "SPS" means ADB's Safeguard Policy Statement (2009); and

- (x) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million Dollars (\$100,000,000).

(b) The Loan has a principal repayment period of 24 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 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.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December 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 make the relevant portion of the proceeds of the Loan available to each Project Province upon terms and conditions satisfactory to ADB and shall cause each Project Province to apply such proceeds exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

(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. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 September 2028 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 4 to this Loan Agreement and the Project 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 9 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, Works and Services, and any relevant records and documents.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable each of the Project Executing Agency and Project Provinces to perform its respective obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

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 9.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Secretary or Joint Secretary (International Economic Cooperation Coordination Division), Ministry of Finance, of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

Finance Secretary
Ministry of Finance
Singha Durbar
Kathmandu, Nepal

Email: secretary@mof.gov.np

For ADB

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

Facsimile Numbers:

(632) 8636-2444
(632) 8636-2391.

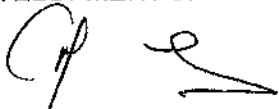
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

NEPAL

By 

KRISHNA HARI PUSHKAR
Finance Secretary
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

ARNAUD CAUCHOIS
Country Director

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to increase transport efficiency on Project roads.
2. The Project shall scale up the Initial Project and comprise:
 - (a) improvements to rural road conditions between selected rural communities, productive agricultural areas, and socioeconomic centers by upgrading approximately 324 km of rural roads, including about 10 bridges, to all-weather standards with safety features, and improved maintenance; and
 - (b) enhancement of capacity of rural infrastructure agencies and road users in Project areas by strengthening the technical and institutional capacity of DOLI, provincial governments, selected district and local level infrastructure agencies through (i) trainings on safeguards, road safety awareness, road asset management, procurement and contract management, and rural road design and construction; (ii) supporting the development of provincial agencies to sustainably manage roads including planning, construction, upgrading and major and minor rehabilitation and maintenance; (iii) a focus on building climate resilience; and (iv) development of pavement design, quality control and road safety guidelines.
3. The Project is expected to be completed by 31 March 2028.

SCHEDULE 2**Amortization Schedule**

| Date Payment Due | Payment of Principal (expressed in USD)* |
|-------------------------|---|
| 15 December 2031 | 2,083,333 |
| 15 June 2032 | 2,083,333 |
| 15 December 2032 | 2,083,333 |
| 15 June 2033 | 2,083,333 |
| 15 December 2033 | 2,083,333 |
| 15 June 2034 | 2,083,333 |
| 15 December 2034 | 2,083,333 |
| 15 June 2035 | 2,083,333 |
| 15 December 2035 | 2,083,333 |
| 15 June 2036 | 2,083,333 |
| 15 December 2036 | 2,083,333 |
| 15 June 2037 | 2,083,333 |
| 15 December 2037 | 2,083,333 |
| 15 June 2038 | 2,083,333 |
| 15 December 2038 | 2,083,333 |
| 15 June 2039 | 2,083,333 |
| 15 December 2039 | 2,083,333 |
| 15 June 2040 | 2,083,333 |
| 15 December 2040 | 2,083,333 |
| 15 June 2041 | 2,083,333 |
| 15 December 2041 | 2,083,333 |
| 15 June 2042 | 2,083,333 |
| 15 December 2042 | 2,083,333 |
| 15 June 2043 | 2,083,333 |
| 15 December 2043 | 2,083,333 |
| 15 June 2044 | 2,083,333 |
| 15 December 2044 | 2,083,333 |
| 15 June 2045 | 2,083,333 |
| 15 December 2045 | 2,083,333 |
| 15 June 2046 | 2,083,333 |
| 15 December 2046 | 2,083,333 |
| 15 June 2047 | 2,083,333 |
| 15 December 2047 | 2,083,333 |
| 15 June 2048 | 2,083,333 |
| 15 December 2048 | 2,083,333 |
| 15 June 2049 | 2,083,333 |
| 15 December 2049 | 2,083,333 |
| 15 June 2050 | 2,083,333 |
| 15 December 2050 | 2,083,333 |

| Date Payment Due | Payment of Principal (expressed in USD)* |
|-------------------------|---|
| 15 June 2051 | 2,083,333 |
| 15 December 2051 | 2,083,333 |
| 15 June 2052 | 2,083,333 |
| 15 December 2052 | 2,083,333 |
| 15 June 2053 | 2,083,333 |
| 15 December 2053 | 2,083,333 |
| 15 June 2054 | 2,083,333 |
| 15 December 2054 | 2,083,333 |
| 15 June 2055 | 2,083,349 |
| Total | 100,000,000 |

* 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 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, 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 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, in consultation with 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.

Retroactive Financing

6. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with Goods, Works and Services, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

| ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS | | | |
|--|---|--|---|
| Number | Item | Total Amount Allocated for ADB Financing (\$) | Basis for Withdrawal from the Loan Account |
| | | Category | |
| 1 | Civil Works | 79,000,000 | 87.5% of total expenditure claimed |
| 2 | Environment and Social Mitigation | 500,000 | 50.0% of total expenditure claimed |
| 3 | Consulting Services (implementation support) | 5,900,000 | 100% of total expenditure claimed |
| 4 | Capacity Development Program | 2,400,000 | 100% of total expenditure claimed |
| 5 | Equipment and vehicles | 900,000 | 50.0% of total expenditures claimed |
| 6 | Project management | 2,000,000 | 50.0% of total expenditures claimed |
| 7 | Interest Charge | 2,300,000 | 100% of amounts due |
| 8 | Unallocated | 7,000,000 | |
| | TOTAL | 100,000,000 | |

SCHEDULE 4**Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower, the Project Executing Agency and each Project Province 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.
2. The Borrower shall ensure that a PCU is established within the Project Executing Agency to provide overall oversight, supervision, monitoring, coordination of project implementation and procurement of Consulting Services, including the review and monitoring of procurement, safeguards and financial management aspects of the Project. In addition, the Borrower shall ensure the Project Executing Agency provides any staff and resources necessary for each Project Implementing Agency and the PIU to perform its project implementation tasks in a timely and effective manner.
3. Each Project Province shall ensure that a PIU is established within its respective Project implementing Agency with adequate qualified staff, resources and facilities to undertake the necessary Project implementation tasks, including procurement, safeguards monitoring and reporting, and financial reporting. In addition, each Project Province shall ensure that its Project Implementing Agency through the PIU furnish timely information and reports on the Project and the operation and maintenance of Project facilities, with such reports to be submitted in such form and detail and within such a period as the Project Executing Agency may reasonably require.
4. The Borrower and the Project Provinces shall provide full cooperation and assistance to the Project Executing Agency, the Project Implementing Agencies and any other government agencies, departments and authorities, as may be necessary for the efficient implementation of the Project.
5. The Borrower and Project Provinces shall ensure that:
 - (a) within 3 months of the Effective Date, the Project Executing Agency and each Project Implementing Agency sign a memorandum of understanding detailing arrangements on the use of the Loan proceeds by each of the Project Implementing Agencies and their respective roles and responsibilities during Project implementation in the form and substance satisfactory to ADB; and
 - (b) the proceeds of the Loan will be made available by the Borrower to the relevant Project Province upon signing of the memorandum of understanding as set out in subparagraph (a) above.

Procurement

6. The Borrower, the Project Executing Agency and each Project Province shall ensure that:

- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
- (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
- (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

7. The Borrower, the Project Executing Agency and each Project Province shall not award any Works contracts which involves environmental impacts until:

- (a) the Ministry of Urban Development of the Borrower has granted the approval of the IEE and the Borrower has obtained ADB's clearance of the IEE based on the final design; and
- (b) the Project Implementing Agencies have, incorporated the relevant provisions from the EMP into the related Works contract.

8. The Borrower, the Project Executing Agency and each Project Province shall not award any Works contract which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final CPRP based on the Project's detailed design, and obtained ADB's clearance of such CPRP.

SafeguardsEnvironment

9. The Borrower, the Project Executing Agency and each Project Province 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 IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

10. The Borrower, the Project Executing Agency and each Project Province 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 CPRP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

11. Without limiting the application of the Involuntary Resettlement Safeguards or the CPRP, the Borrower, the Project Executing Agency and each Project Province 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 affected people in accordance with the CPRP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the CPRP.

Indigenous Peoples

12. The Borrower, the Project Executing Agency and each Project Province shall ensure that the Project does not have any indigenous peoples impacts within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower, the Project Executing Agency and the Project Provinces shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

13. The Borrower, the Project Executing Agency and each Project Province shall make available necessary budgetary and human resources to fully implement the EMP and the CPRP,

Safeguards – Related Provisions in Bidding Documents and Works Contracts

14. The Borrower, the Project Executing Agency and each Project Province 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, and the CPRP (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 respective Project Implementing Agency 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, and the CPRP;
- (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

15. The Borrower, the Project Executing Agency and each Project Province shall do the following:

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

Prohibited List of Investments

16. The Borrower, the Project Executing Agency and each Project Province 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

17. The Borrower, the Project Executing Agency and each Project Province shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower, the Project Executing Agency and each Project Province 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.

18. The Borrower, the Project Executing Agency and each Project Province shall strictly monitor compliance with the requirements set forth in paragraph 17 above and provide ADB with regular reports.

Gender and Development

19. The Borrower, the Project Executing Agency and each Project Province shall ensure that (a) the GESI-AP 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 GESI-AP; (c) adequate resources are allocated for implementation of the GESI-AP; and (d) progress on implementation of the GESI-AP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Counterpart Support

20. The Borrower, the Project Executing Agency and the Project Provinces shall make available all counterpart funds required for the timely and effective implementation of the Project, including to mitigate unforeseen environmental and social impacts, and to meet additional costs arising from design changes, price escalation in construction costs and/or other unforeseen circumstances.

21. In addition to the foregoing, the Borrower, the Project Executing Agency and the Project Provinces shall ensure that the Project Executing Agency and Project Implementing Agencies have sufficient funds to satisfy their liabilities arising from any Works, Goods or Services contract, including through providing adequate and timely conditional grants and allocating sufficient counterpart funds in budgetary allocations for each fiscal year, to finance any funding shortfall and ensure that the Project is fully implemented.

22. The Borrower shall ensure that all its ministries, agencies and departments, including provincial and local level authorities, involved in the implementation of the Project, provide full cooperation and assistance to support the timely and efficient implementation of the Project. Specifically, the Borrower shall cause such ministries, agencies, departments and authorities to give full, timely and efficient cooperation in issuing any licenses, permits or approvals required in connection with Project activities.

Operation & Maintenance

23. The Borrower, the Project Executing Agency and each Project Province shall maintain the Project facilities in accordance with best practice standards acceptable to ADB, and ensure that the Project Implementing Agencies at all times have sufficient financing for the operation and maintenance costs of the Project facilities owned or operated by them.

24. The Borrower, the Project Executing Agency and each Project Province shall make available adequate funds for the ongoing operation and maintenance of Project facilities in a timely manner through budgetary allocations or other means, including after Project completion.

Schedule 4

25. In addition to the foregoing, the Borrower, through the Project Executing Agency, will ensure that adequate staff and resources are provided to the Project implementing Agencies for the operation and maintenance of Project facilities, including after Project completion.
26. The Borrower, the Project Executing Agency and the Project Provinces shall ensure that:
- (a) a provincial transport master plan is developed and approved within 3 years of the Effective Date; and
 - (b) a provincial road asset management action plan to improve rural road maintenance capacity at the provincial level is developed and implemented in each Project Province within the stipulated timelines, and the progress on achievement of each action in the plan is reported regularly to ADB.

Financial Management

27. The Borrower, the Project Executing Agency and the Project Provinces shall ensure that the agreed financial management action plan set out in the PAM is implemented within the stipulated time frames and the progress toward achieving the target activities are monitored and reported regularly to ADB.

Governance and Anticorruption

28. The Borrower, the Project Provinces, the Project Executing Agency, and the Project Implementing Agencies shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.
29. The Borrower, the Project Provinces, the Project Executing Agency, and the Project Implementing Agencies shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.