
LOAN NUMBER 4211-NEP(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])
(Nuts and Fruits in Hilly Areas Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 7 NOVEMBER 2022

NEP 48218

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 7 November 2022 between NEPAL ("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) by a grant agreement of even date herewith between the Borrower and ADB ("ADB Grant Agreement"), ADB has agreed to make a grant to the Borrower from ADB's Special Funds resources in an amount of ten million Dollars (\$10,000,000) ("ADB Grant") for the purposes of financing expenditures under the Project;

(C) the Borrower has also applied to the Global Agriculture and Food Security Program ("GAFSP") for a grant, to be administered by ADB, in an amount of nine million Dollars (\$9,000,000) ("GAFSP Grant"), for the purposes of cofinancing expenditures under the Project;

(D) by a grant agreement of even date herewith between the Borrower and ADB ("GAFSP Grant Agreement"), ADB has agreed to make the proceeds of the GAFSP Grant available to the Borrower for the purposes of cofinancing expenditures under the Project; and

(E) 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;

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.

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) "CGFMC" means the credit guarantee fund management committee responsible for reviewing and approving time deposits to eligible partnering financial institutions and to ensure the compliance of the credit guarantee fund related covenants, as set out in the PAM;

- (b) "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;
- (c) "EMP" means each environmental management plan prepared for the Project, including any update thereto, incorporated in the applicable 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 Project, including any update thereto, and approved 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) "Grants" means the ADB Grant and the GAFSP Grant when referred to collectively;
- (h) "IEE" means each initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (i) "Implementing Agencies" means (i) National Center for Fruit Development, MOALD; (ii) Nepal Agricultural Research Council; (iii) Directorate of Agriculture Development, Ministry of Agriculture, Province 1; (iv) Directorate of Agriculture Development, Ministry of Agriculture and Livestock Development, Bagmati; (v) Directorate of Agriculture Development, Ministry of Land Management, Agriculture, Cooperatives and Poverty Alleviation, Gandaki; (vi) Directorate of Agriculture Development, Ministry of Land Management, Agriculture and Cooperatives, Karnali; and (vii) Directorate of Agriculture Development, Ministry of Land Management, Agriculture and Cooperatives, Sudurpashchim, or any successor thereto acceptable to ADB, which are responsible for the implementation of the Project;
- (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) "IPP" means each indigenous peoples plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);

- (m) "MOALD" means the Ministry of Agriculture and Livestock Development of the Borrower, or any successor thereto;
- (n) "MOF" means the Ministry of Finance of the Borrower, or any successor thereto;
- (o) "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;
- (p) "PAM" means the project administration manual for the Project dated 12 July 2022 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;
- (q) "Procurement Plan" means the procurement plan for the Project dated 12 July 2022 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;
- (r) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (s) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (t) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MOALD, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (u) "Project Facilities" means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;
- (v) "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 IPP (as applicable), including any corrective and preventative actions;
- (w) "Services" means Consulting Services and Nonconsulting Services;
- (x) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (y) "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 sixty million Dollars (\$60,000,000).

(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 1 March and 1 September 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. 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 8.02 of the Loan Regulations shall be 28 February 2030 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.

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.

ARTICLE V

Suspension; Acceleration of Maturity

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

- (a) the ADB Grant shall have become liable for suspension or cancellation;
- and
- (b) the GAFSP Grant shall have become liable for suspension or cancellation.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

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

- (a) the ADB Grant Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement and the GAFSP Grant Agreement) shall have been fulfilled; and
- (b) the GAFSP Grant Agreement shall have been executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement and the ADB Grant Agreement) shall have been fulfilled.

Section 6.02. 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 VII

Miscellaneous

Section 7.01. The Secretary or Joint Secretary (International Economic Cooperation Coordination Division) of the 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
Singhadurbar, Kathmandu
Nepal

Facsimile Number:

(977) 1-4200537

For ADB

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

Facsimile Numbers:

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

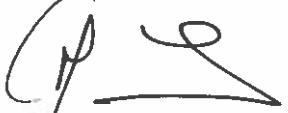
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

NEPAL

By 

KRISHNA HARI PUSHKAR
Secretary
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

ARNAUD CAUCHOIS
Country Director
Nepal Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to increase beneficiary farmers' agricultural income from climate resilient horticulture farming in municipalities in hilly areas of Province 1, Bagmati, Gandaki, Karnali and Sudurpashchim.
2. The Project shall comprise:
 - (a) improving institutional capacity for nursery and horticulture sector management, including, at the national level, (i) preparing nursery standards and regulations and an inspection system; (ii) upgrading horticulture station/center facilities for testing, cleaning and maintenance of planting materials, and nursery quality control; (iii) training horticulture station/center staff, and organizing knowledge exchange programs and workshops to meet international sanitary and phytosanitary standards; (iv) supporting private nursery upgrade to ensure healthy and quality material production, and transfer of genetic technologies to private nurseries; (v) commissioning research on more climate-resilient and adaptable varieties of fruits and nuts; (vi) developing a nursery certification scheme and rolling it out with volunteer private nurseries; and (vii) training and certifying cooperatives and private input suppliers which service Project clusters. At the provincial level, it includes (i) developing interactive crop and land suitability maps; and (ii) land classification and zoning for orchard development;
 - (b) increasing production and productivity of Project farmers through (i) preparation of comprehensive packages of practice; (ii) training all beneficiary farmers in the packages of practice through (a) the Implementing Agencies and farmer group facilitators ensuring inclusion of women and disadvantaged groups in Project beneficiaries and in decision-making positions and strengthening farmer group formation; (b) private technical service and input providers; (c) farmer-to-farmer extension program, identifying lead farmers and training them to demonstrate climate change adaptation and best practices; and (d) digital technology based farm advisory system development and promotion; (iii) providing partial grants for the development of approximately 10,000 hectares of new orchards and drip and micro irrigation system, and 1,000 hectares of vegetables and other crops; (iv) providing grant incentives to farmers based on plant survival rate; (v) assessing and verifying carbon sequestration benefits from orchards, and exploring carbon financing options; and (vi) supporting beneficiary farmers' loan access by establishing and operationalizing a credit guarantee fund for smallholder horticulture farmers; and
 - (c) enhancing value addition to hilly area horticulture produce, including (i) promoting agriculture and/or horticulture cooperatives and commodity-specific marketing associations; (ii) developing and conducting training programs to strengthen those cooperatives and associations willing to invest in value addition activities, while promoting female leadership; (iii) providing matching grants to support cooperatives' investment in value addition equipment; (iv)

providing matching grants to support agribusinesses and service providers that collaborate with Project beneficiaries for improving systems, marketing, horticulture production and cold chain linkage, amongst others, through public-private partnerships; and (v) providing matching grants for developing local-level value-addition infrastructure.

3. The Project is expected to be completed by 31 August 2029.

SCHEDULE 2**Amortization Schedule**

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollars*)
1 March 2031	1,250,000
1 September 2031	1,250,000
1 March 2032	1,250,000
1 September 2032	1,250,000
1 March 2033	1,250,000
1 September 2033	1,250,000
1 March 2034	1,250,000
1 September 2034	1,250,000
1 March 2035	1,250,000
1 September 2035	1,250,000
1 March 2036	1,250,000
1 September 2036	1,250,000
1 March 2037	1,250,000
1 September 2037	1,250,000
1 March 2038	1,250,000
1 September 2038	1,250,000
1 March 2039	1,250,000
1 September 2039	1,250,000
1 March 2040	1,250,000
1 September 2040	1,250,000
1 March 2041	1,250,000
1 September 2041	1,250,000
1 March 2042	1,250,000
1 September 2042	1,250,000
1 March 2043	1,250,000
1 September 2043	1,250,000
1 March 2044	1,250,000
1 September 2044	1,250,000
1 March 2045	1,250,000
1 September 2045	1,250,000
1 March 2046	1,250,000
1 September 2046	1,250,000
1 March 2047	1,250,000
1 September 2047	1,250,000
1 March 2048	1,250,000
1 September 2048	1,250,000
1 March 2049	1,250,000

1 September 2049	1,250,000
1 March 2050	1,250,000
1 September 2050	1,250,000
1 March 2051	1,250,000
1 September 2051	1,250,000
1 March 2052	1,250,000
1 September 2052	1,250,000
1 March 2053	1,250,000
1 September 2053	1,250,000
1 March 2054	1,250,000
1 September 2054	1,250,000
Total	60,000,000

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

Conditions for Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for Category 5 (Credit guarantee fund) until ADB has (i) reviewed and endorsed the draft credit guarantee agreement after MOF reviews it, and before it is finalized and executed by the MOALD and a partnering financial institution, and (ii) approved the endorsement of time deposits to eligible partnering financial institutions made by the CGFMC.

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	Works – horticulture stations	5,100,000		
1A	Works – horticulture stations and other works		2,200,000	70% of the total expenditure claimed
1B	Works – matching grants for local-level infrastructure		2,900,000	50% of the total expenditure claimed
2	Consulting Services	550,000		12% of the total expenditure claimed
3	Equipment and materials	1,280,000		100% of the total expenditure claimed
4	Capacity building	540,000		100% of the total expenditure claimed
5	Credit guarantee fund *	6,000,000		100% of the total expenditure claimed
6	Matching grants	8,730,000		100% of the total expenditure claimed
7	Partial subsidies for farmers and cooperatives	32,500,000		
7A	All partial subsidies for farmers and cooperatives		30,100,000	97% of the total expenditure claimed
7B	Planting survival incentives		2,400,000	50% of the total expenditure claimed
8	Remuneration for contractual staff	640,000		100% of the total expenditure claimed
9	Operation and maintenance	2,780,000		100% of the total expenditure claimed
10	Unallocated	14,000		
11	Interest Charge	1,866,000		100% of amounts due
	TOTAL		60,000,000	

* Subject to the conditions for withdrawal described in paragraph 7 of Schedule 3.

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

1. The Borrower shall ensure, or cause the Project Executing Agency 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 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, or cause the Project Executing Agency to ensure, that (a) all positions identified as key personnel within the project management unit, project implementation units and field offices, as set forth in the PAM, are filled for the entire duration of the Project by individuals with adequate skills and expertise relevant to each position; (b) vacancies in such positions, should they occur, are filled within 3 months; and (c) the project management unit and project implementation units are allocated the necessary office space, facilities, equipment support staff and management information systems to carry out their responsibilities in a timely and efficient manner.

Inter-agency Coordination

3. The Borrower shall ensure that all its ministries, agencies and divisions involved in the implementation of Project, including the provincial and local government authorities within the Project area, give their full cooperation to ensure smooth implementation of the Project.

Procurement

4. The Borrower shall ensure, or cause the Project Executing Agency to 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.

Conditions for Award of Contract

5. The Borrower shall not award any Works or Nonconsulting Services contract which involves environmental impacts until:

- (a) MOALD has granted the final approval of the relevant IEE, and the Borrower has obtained ADB's clearance of the relevant IEE based on the final design; and
- (b) the Borrower has incorporated the relevant provisions from the EMP into the respective Works or Nonconsulting Services contract.

6. The Borrower shall not award any Works or Nonconsulting Services contract which involves impacts on indigenous peoples until the Borrower has prepared and submitted to ADB the final IPP, and obtained ADB's clearance of such IPP.

Safeguards

Environment

7. The Borrower 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 each IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

8. The Borrower shall ensure that the Project does not have any land acquisition or involuntary resettlement impacts, within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Indigenous Peoples

9. The Borrower 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 IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

10. The Borrower shall make available necessary budgetary and human resources to fully implement the EMP and the IPP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

11. The Borrower 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 IPP (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 as described in subparagraph (a) above;
- (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 IEE, the EMP or the IPP;
- (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

12. The Borrower shall do the following:

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

Prohibited List of Investments

13. The Borrower shall ensure that no proceeds of the Loan or the Grants 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

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) 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.

15. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 14 above and provide ADB with regular reports.

Gender and Development

16. The Borrower 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

17. The Borrower shall make available through budgetary allocations or other means all counterpart funds required for the timely and effective implementation of the Project, including funds to mitigate unforeseen environmental and social impact, and to meet additional costs arising from design changes, price escalation in construction or installation costs or other unforeseen circumstances. In addition to the foregoing, the Borrower shall ensure that the Project Executing Agency has sufficient funds to satisfy its liabilities arising from any Works, Goods and/ or Services contract.

Grievance Redress Mechanism

18. Within 3 months after the Effective Date, the Borrower shall prepare a grievance redress mechanism, acceptable to ADB, and establish a grievance redress mechanism committee to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances due to resettlement (if any). The grievance redress mechanism committee shall (a) make public the existence of the grievance redress mechanism; (b) review and address grievances of stakeholders of the Project, in relation to the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (c) proactively and constructively respond to such grievances.

Governance and Anticorruption

19. The Borrower, the Project Executing Agency and the 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.

20. The Borrower, the Project Executing Agency and the 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 Project Executing Agency and Implementing Agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.