
LOAN NUMBER 3817-LAO(COL)

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

(Sustainable Rural Infrastructure and Watershed Management Sector Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 30 OCTOBER 2019

LAO 50236

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 30 October 2019 between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("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 partly carried out by the provinces of Houaphan, Louangphabang, Xaignabouli and Xiangkhouang ("Project provinces"), 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 acceptable to ADB;

(C) the Borrower has also applied to ADB for a grant in an amount of five million Dollars (\$5,000,000) from ADB's Disaster Risk Reduction Fund ("DRRF Grant") for the purposes of the Project;

(D) the Borrower has also applied to the European Union for a grant ("EU Grant", together with DRRF Grant, "Grants") in an amount in Euro equivalent to four million four hundred sixty thousand Dollars (\$4,460,000) for the purposes of 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 and in the Project Agreement between ADB and Project provinces;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All 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, subject, however, to the following modifications:

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

"Project Agreement" means the Project Agreement between ADB of one part, and Houaphan Province, Louangphabang Province, Xaignabouli Province and Xiangkhouang Province of the other part, as such agreement may be amended from time to time.

- (b) The term "Project Executing Agency" appearing in Section 6.01(a)(i), 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 "Houaphan Province, Louangphabang Province, Xaignabouli Province and Xiangkhouang Province".

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) "EARF" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (c) "EMP" means an environmental management plan developed for a Subproject and approved by ADB;
- (d) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (e) "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;
- (f) "HIV/AIDS" means human immunodeficiency virus/acquired immune deficiency syndrome;
- (g) "IEE" means each initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;
- (h) "List of Eligible Subprojects" means a list which provides all candidate subprojects pre-screened in accordance with the criteria set forth in the PAM;
- (i) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (j) "MAF" means the Borrower's Ministry of Agriculture and Forestry, or any successor thereto;
- (k) "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;

- (l) "PAFO" means a provincial agriculture and forestry office in a Project province, or any successor thereto;
- (m) "PAM" means the project administration manual for the Project dated 26 July 2019 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;
- (n) "Procurement Plan" means the procurement plan for the Project dated 26 July 2019 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 MAF or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;
- (r) "Project facilities" means facilities to be provided, constructed or operated and maintained under the Project;
- (s) "Project province" means each of the Borrower's provinces of Houaphan, Louangphabang, Xaignabouli and Xiangkhouang, or any successors thereto;
- (t) "REGDF" means the resettlement and ethnic group development framework for the Project, as agreed between the Borrower and ADB;
- (u) "RP" means each resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the REGDF and cleared by ADB;
- (v) "RSP" means a representative subproject selected among the Subprojects, more fully described in the PAM;
- (w) "SPS" means ADB's Safeguard Policy Statement (2009);
- (x) "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 RP (as applicable), including any corrective and preventative actions;
- (y) "Services" means Consulting Services and Nonconsulting Services;

- (z) "Subproject" means a subproject to be financed under the Project, as selected in accordance with paragraphs 18 to 20 of Schedule 4 to this Financing Agreement.
- (aa) "UXO" means unexploded ordinance.
- (bb) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan and Grants, including any related Nonconsulting Services and project related services that are provided as part of a single responsibility or turnkey contract.
- (cc) "WUA" means a water user association; and
- (dd) "WUG" means a water user group.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of forty million Dollars (\$40,000,000).

(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 March and 15 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.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make available a portion of the proceeds of the Loan to the Project provinces 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. (a) Withdrawals from the Loan Account in respect of Goods, Works, and Services shall be made only on account of expenditures relating to:

- (i) Goods which are produced in and supplied from and Works and 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
- (ii) Goods, Works, and Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

(b) For purposes of subparagraph (a)(ii), Goods, Works, and Services may also be procured under the Project from non-member countries of ADB.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 September 2027 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, or shall cause the Project provinces to, (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

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

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

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, 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 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.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event 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: any of the DRRF Grant and EU 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: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: all of DRRF Grant and EU Grant Agreements shall have been duly executed and delivered, and all conditions precedent to their effectiveness (other than a condition requiring the effectiveness of this Loan 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 Minister 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
23rd Singha Road
P.O. Box 46
Vientiane Capital
Lao People's Democratic Republic

Facsimile Number:

(856-21) 412142

For ADB

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

Facsimile Numbers

(632) 636-2444

(632) 636-2305

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

LAO PEOPLE'S DEMOCRATIC
REPUBLIC

By 

BOUNCHOM UBONPASEUTH
Deputy Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

YASUSHI NEGISHI
Country Director
Lao Resident Mission

SCHEDULE 1

Description of the Project

1 The objective of the Project is to improve high value agricultural production, natural resources management and community nutrition.

2 The Project shall comprise the following outputs.

Output 1: Market-oriented agricultural production increased.

- (a) Completing and confirming market demand assessments for all additional subproject.
- (b) Starting market connectivity forums and meetings in the RSPs;
- (c) Confirming enterprise grants procedures and implementation arrangements and completing grant awards.
- (d) Implementing Subproject farm to farm extension, and
- (e) Operationalizing market produce quality assurances systems.

Output 2: Watershed ecological services protected.

- (a) Preparing Provincial land use plans (PLUPs) for catchments in four Xiangkhouang province and five Houaphan province productive rural infrastructure subprojects (PRIs).
- (b) Preparing PLUP associated land use behavioral change programs with supporting community agreements including female participation; and
- (c) Implementing PLUPs land use behavior change action plans.

Output 3: Command area irrigation reliability improved.

- (a) Contracting and completing RSP works;
- (b) Designing and contracting additional PRI subprojects in batches 2 and 3 with batch 3 being the final processing deadline, and contracting and completing Works with handover for batches 2 and 3;
- (c) Forming WUGs and WUAs, including 50% participation by females, and water user management with 25% of female representation; and
- (d) Organizing Subproject WUG into WUAs.

Output 4: Nutrition awareness and facilities improved

- (a) Forming and operationalizing district nutrition committees,

- (b) Implementing village nutrition schools, and
- (c) Implementing water, sanitation and hygiene facilities in targeted villages.

3. The Project is expected to be completed by 31 March 2027.

SCHEDULE 2

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal</u> (Expressed in USD*)
15 March 2028	833,333
15 September 2028	833,333
15 March 2029	833,333
15 September 2029	833,333
15 March 2030	833,333
15 September 2030	833,333
15 March 2031	833,333
15 September 2031	833,333
15 March 2032	833,333
15 September 2032	833,333
15 March 2033	833,333
15 September 2033	833,333
15 March 2034	833,333
15 September 2034	833,333
15 March 2035	833,333
15 September 2035	833,333
15 March 2036	833,333
15 September 2036	833,333
15 March 2037	833,333
15 September 2037	833,333
15 March 2038	833,333
15 September 2038	833,333
15 March 2039	833,333
15 September 2039	833,333
15 March 2040	833,333
15 September 2040	833,333
15 March 2041	833,333
15 September 2041	833,333
15 March 2042	833,333
15 September 2042	833,333
15 March 2043	833,333
15 September 2043	833,333
15 March 2044	833,333
15 September 2044	833,333
15 March 2045	833,333
15 September 2045	833,333
15 March 2046	833,333
15 September 2046	833,333
15 March 2047	833,333
15 September 2047	833,333
15 March 2048	833,333

15 September 2048	833,333
15 March 2049	833,333
15 September 2049	833,333
15 March 2050	833,333
15 September 2050	833,333
15 March 2051	833,333
15 September 2051	833,349
Total	40,000,000

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.

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 Category 3 until the Borrower has issued guidelines for usage of matching grant, in a form and substance satisfactory to ADB, including selection criteria and selection procedures for activities in accordance with the PAM.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (Dollar) Category	Basis for Withdrawal from the Loan Account
1	Works for RSPs	2,316,170	34.7% of total expenditure claimed
2	Project Costs Other Than Category 1 above and Category 3 below	33,696,275	100% of total expenditure claimed
3	Matching Grant*	180,000	100% of total expenditure claimed
4	Interest Charge	1,523,445	100% of amounts due
5	Unallocated	2,284,110	
	TOTAL	40,000,000	

* Subject to the condition for withdrawal described in paragraph 6 of Schedule 3

SCHEDULE 4

Execution of Project; Implementation, Environmental, Social 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 Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement, and DRRF Grant and EU Grant Agreements shall prevail.

Procurement

2. The Borrower shall ensure or cause the Project provinces to ensure that:
- (a) the procurement of Goods, Works and Services is carried out in accordance with the ADB 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.

Environment

3. 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 EAPF; and (c) 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.

4. The Borrower shall ensure the following measures are taken: (a) coordinate with the regulatory authorities to ensure agrichemicals are used in accordance with national laws and regulations and international conventions to which the Borrower is a signatory; (b) ensure that pest and/or vector management activities related to the subproject sites are based on integrated pest management approaches; (c) implement the training and related measures

included in the project's good agricultural practice capacity building program, and (d) include a specific section in the semi-annual environment safeguard reports on the application of agrichemicals.

5. The Borrower shall ensure that no subproject which meets the ADB's Category A environmental criteria as defined under the SPS, is included in the List of Eligible Subprojects, and that no subproject with Category A environmental criteria is financed under the Project.

6. The Borrower shall cause each Project province to establish river flow gauging plates and to provide, for each year, fortnightly readings of river flow during the dry season between 1 October and 1 May throughout Project implementation.

Involuntary Resettlement

7. 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 REGDF; and (c) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

8. The Borrower shall ensure that no subproject which meets the ADB's Category A resettlement criteria as defined under the SPS, is included in the List of Eligible Subprojects, and that no subproject with the Category A resettlement criteria is financed under the Project.

9. Without limiting the application of the REGDF or the RP, 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 RP; and
- (b) a comprehensive income and livelihood restoration program have been established in accordance with the RP.

10. The Borrower shall also ensure that a grievance redress mechanism acceptable to ADB is established for affected people in the districts where the resettlement activities under the Project are carried out.

Indigenous Peoples and Vulnerable Groups

11. The Borrower shall ensure that subprojects do not adversely affect ethnic groups, households headed by women, disabled, elderly or other similarly vulnerable groups, and that rights and needs of ethnic groups are fully addressed in accordance with ADB's Policy on Gender and Development (1998) and SPS. In particular, the Project shall be carried out in accordance with the REGDF.

12. The Borrower shall ensure that no subprojects which have significant impacts on ethnic groups, is included in the List of Eligible Subprojects, and that no Subproject with such impacts

is financed under the Project. For Subprojects in which ethnic groups are present and affected, an indigenous peoples plan shall be prepared in accordance with the REGDF.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

13. 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 RP (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 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 RP.

Safeguards Monitoring and Reporting

14. The Borrower shall do the following or shall cause the Project provinces to 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 RP, 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 RP promptly after becoming aware of the breach.

Human and Financial Resources to Implement Safeguards Requirements

15. The Borrower shall make available or shall cause the Project provinces to make available necessary budgetary and human resources to fully implement the EMP and the RP. In particular, The Borrower shall ensure or cause the Project provinces to ensure that the environment consultants, whose qualification are acceptable to ADB, are engaged and deployed in a timely manner.

Prohibited List of Investments

16. 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

17. The Borrower, through MAF, shall ensure that the gender mainstreaming activities are (a) incorporated into the Project design and undertaken during Project implementation; and (b) monitored by the Division Advancement of Women within MAF.

Grievance Redress Mechanism

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

Subproject Eligibility and Priority

19. The Borrower shall ensure that only candidate subprojects listed in the List of Eligible Subprojects are considered for financing under the Project.

20. The Borrower shall ensure that candidate subprojects in each Project province are taken up in the order of priority indicated in the List of Eligible Subprojects and shall carry out feasibility studies and detailed design for such candidate subprojects.

21. The Borrower shall require or cause the Project Provinces to require certification of UXO safety to be issued for each Subproject through the office of Provincial Governor. Where UXO clearance is required, the Borrower shall arrange and finance this work, using the Borrower's UXO trust fund in accordance with its standard procedures. The UXO clearance requires a 12-month notification for inclusion in the Borrower programs.

Feasibility Study and Detailed Engineering Design Review

22. After completion of the combined feasibility studies and detailed engineering designs (design report), candidate subprojects shall be reviewed by PAFO who shall report to the Provincial Steering Committee, and shall be taken up for physical implementation only if (a) the concerned WUGs commit to paying the irrigation service fees at a level that meet the requirement of the operation and maintenance plans as approved by the Loan Implementation Consultant; and (b) they meet the selection criteria as provided in the PAM.

23. In case that a candidate subproject does not meet the criteria provided in the PAM, it shall be replaced by the next priority candidate subproject for the respective Project province under the List of Eligible Subprojects. If candidate subprojects not listed in the List of Eligible Subprojects are to be considered for financing under the Project, they shall be examined and screened by MAF with the support from an independent consultant acceptable to both ADB and the Borrower and submitted to ADB for approval.

Project Irrigation Scheme

24. The Borrower shall ensure that (a) each irrigation scheme to be developed under the Project shall no longer be included in the provincial or national register of required rice production areas for the dry season; (b) the irrigation schemes in the Project shall have completed irrigation management transfer processes with both WUG and WUAs established prior to the award of any related Works contract and shall formally identify the required irrigation service fee to enable operation and maintenance of the irrigation command area, and (c) the use of the irrigation service fee collected by WUAs in the Project irrigation schemes shall be limited to the operation and maintenance requirement of the scheme until such time when the WUAs' bank account has a year-end balance of at least two years operational and maintenance requirements, and the WUAs, based on majority member, will distribute to village or district officials any funds in excess of this amount.

Labor Standards, Health, and Safety

25. 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 developing 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.

Counterpart Support

26. The Borrower shall ensure that the counterpart funding required for successful Project implementation is timely allocated and provided. The Borrower, through MAF and Project provinces, shall ensure that qualified staff are added to the project management units in a timely manner.

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

Financial Management

28. The Borrower shall implement the financial management plan as agreed with ADB and set forth in the PAM. In particular, the Borrower shall (a) make available the government staff in sufficient numbers and with the required academic background and/or experience, as per the positions and the timelines in accordance with the PAM; (b) ensure that the standardized financial management manual for Project is developed and agreed by the Borrower's concerned ministries prior to the commencement of any activities under the Project, and (c) undertake monitoring of the implementation of the financial management plan.

Matching Grant

29. The Borrower shall implement activities to be financed by the matching grant in accordance with its guidelines, and report to ADB details of the activities on an annual basis.

Governance and Anticorruption

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

31. The Borrower 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.