
GRANT NUMBER 0119-BHU(SF)

GRANT AGREEMENT
(Special Operations)
(Green Power Development Project)

between

KINGDOM OF BHUTAN

and

ASIAN DEVELOPMENT BANK

DATED 13 FEBRUARY 2009

GAS:BHU 37399

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 13 February 2009 between KINGDOM OF BHUTAN (“the Recipient”) and ASIAN DEVELOPMENT BANK (“ADB”).

WHEREAS

(A) the Recipient has applied to ADB for (a) a grant (the “**ADF Grant**”) from ADB’s Special Funds resources for the purposes of financing Component A (“**Component A**”) of the Rural Electrification Project (the “**Project**”) described in Schedule 1 hereto under the Green Power Development Project; and (b) a grant (the “**ACEF Grant**”) from the Asian Clean Energy Fund under the Clean Energy Financing Partnership Facility administered by ADB for the purposes of financing Component B of the Project;

(B) ADB has agreed to provide the ADF Grant to the Recipient upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the Recipient;

(C) the Project will be executed by the Department of Energy (hereinafter called “**DOE**”), and Component A will be implemented by the Bhutan Power Corporation, Limited (“**BPC**”); and for this purpose the Recipient will make the proceeds of the ADF Grant provided for herein available to BPC through a Subsidiary Financing Agreement (the “**BPC Subsidiary Financing Agreement**”) upon terms and conditions satisfactory to ADB; and

(D) ADB has also agreed to provide the ACEF Grant to the Recipient upon the terms and conditions set forth in the ACEF Grant Agreement, between the Recipient and ADB, of even date herewith (the “**ACEF Grant Agreement**”) including that Component B of the Project will be implemented by DOE and for this purpose the Recipient will make available to DOE the proceeds of the ACEF Grant upon terms and conditions set forth in the ACEF Grant Agreement of even date herewith between the Recipient and ADB;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the “Grant Regulations”), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Grant Regulations are applicable to this Grant Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

- (a) "ACEF Grant" has the meaning given in Recital A to this ADF Grant Agreement;
- (b) "ACEF Grant Agreement" has the meaning given in Recital D to this ADF Grant Agreement;
- (c) "ADF Grant" has the meaning given in Recital A to this ADF Grant Agreement;
- (d) "ADF Grant Account" means the Grant Account for the ADF Grant;
- (e) "ADF Grant Agreement" means this Grant Agreement;
- (f) "BPC" means Bhutan Power Corporation, Limited, a company incorporated under the Companies Act of the Kingdom of Bhutan (2000), and any successor entity thereto, acceptable to ADB;
- (g) "BPC Subsidiary Financing Agreement" means the agreement between the Recipient and BPC referred to in Section 3.01 of this Grant Agreement;
- (h) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers dated February 2007, as amended from time to time;
- (i) "DOE" means Department of Energy, Ministry of Economic Affairs, and any successor entity thereto, acceptable to ADB;
- (j) "Dollars" or the sign "\$" each means the lawful currency of the United States of America;
- (k) "EMP" means the environmental management plan prepared by the Recipient and included within each Subproject's IEE;
- (l) "Goods" means equipment and materials to be financed out of the proceeds of the Grant; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;
- (m) "IEE" means each initial environmental examination prepared by the Recipient and approved by the Recipient's environmental agency;
- (n) "PIU" has the meaning given in paragraph 4 of Schedule 4 to this ADF Grant Agreement;
- (o) "PPMES" has the meaning given in paragraph 21 of Schedule 4 to this ADF Grant Agreement;
- (p) "Procurement Guidelines" means ADB's Procurement Guidelines dated February 2007, as amended from time to time;

(q) "Procurement Plan" means the procurement plan for the Project dated 17 September 2008 and agreed between the Recipient and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(r) "Project" has the meaning given in Recital A of this ADF Grant Agreement;

(s) "Project Executing Agency" for the purposes of, and within the meaning of, the Grant Regulations means DOE or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(t) "Project facilities" means the rural electrification equipment and any other facilities or equipment provided under the Project;

(u) "Resettlement Plan" means any resettlement plan, prepared by the Recipient, and agreed with ADB for a Subproject;

(v) "SIEE" means the summary initial environmental examination prepared by the Recipient and approved by ADB;

(w) "Subproject" means each subproject prepared for a district;

(x) "Updated Resettlement Plan" means any Resettlement Plan updated to take account of the detailed design of a Subproject; and

(y) "Works" means construction or civil works to be financed out of the proceeds of the ADF Grant, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

ARTICLE II

The ADF Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Agreement, an amount of twenty-five million two hundred and eighty thousand Dollars (\$25,280,000).

ARTICLE III

Use of Proceeds of the ADF Grant

Section 3.01. (a) The Recipient shall make available the proceeds of the ADF Grant together with other funds required for the Project to BPC under a Subsidiary Financing Agreement upon terms and conditions satisfactory to ADB.

(b) The Recipient shall cause BPC to apply the proceeds of the ADF Grant to the financing of expenditures on the Project in accordance with the provisions of this ADF Grant Agreement and the Project Agreement.

Section 3.02. The Goods, Works and consulting services and other items of expenditure to be financed out of the proceeds of the ADF Grant and the allocation of amounts of the ADF Grant among different categories of such Goods, Works and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this ADF Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Withdrawals from the Grant Account in respect of Goods, Works and consulting services shall be made only on account of expenditures relating to

(a) Goods which are produced in and supplied from and Works and consulting services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and

(b) Goods, Works and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.04. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the ADF Grant shall be procured in accordance with the provisions of Schedule 3 to this ADF Grant Agreement.

Section 3.05. The ADF Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2013 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this ADF Grant Agreement.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project, the Goods, Works and consulting services financed out of the proceeds of the ADF Grant, and any relevant records and documents.

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

Section 4.04. (a) The Recipient shall exercise its rights under the BPC Subsidiary Grant Agreement in such a manner as to protect the interests of the Recipient and ADB and to accomplish the purposes of the ADF Grant.

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

ARTICLE V

Suspension and Cancellation

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the ADF Grant Account for the purposes of Section 8.01(k) of the Grant Regulations or cancellation of the ADF Grant pursuant to section 8.02 of the Grant Regulations: any party shall have failed to perform any of its obligations under the BPC Subsidiary Financing Agreement.

ARTICLE VI

Effectiveness

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

(a) the execution and delivery of the Project Agreement on behalf of BPC shall have been duly authorized or ratified by all necessary corporate and governmental action; and

(b) the BPC Subsidiary Financing Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Recipient and BPC and shall have become fully effective and binding upon the Recipient and BPC in accordance with its terms, subject only to the effectiveness of this ADF Grant Agreement.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB:

(a) the Project Agreement has been duly authorized by or ratified by, and executed and delivered on behalf of BPC, and is legally binding upon BPC in accordance with its terms, subject only to the effectiveness of this ADF Grant Agreement; and

(b) the BPC Subsidiary Financing Agreement has been duly authorized by or ratified by, and executed and delivered on behalf of, the Recipient and BPC, and is legally binding upon the Recipient and BPC in accordance with its terms, subject only to the effectiveness of this ADF Grant Agreement.

Section 6.03. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the ADF Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Recipient hereby designates BPC its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02 and 3.05 of this ADF Grant Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Grant Regulations.

Section 7.02. Any action taken or any agreement entered into by BPC pursuant to the authority conferred under Section 7.01 of this ADF Grant Agreement shall be fully binding on the Recipient and shall have the same force and effect as if taken by the Recipient.

Section 7.03. The authority conferred on BPC under Section 7.01 of this ADF Grant Agreement may be revoked or modified by agreement between the Recipient and ADB.

ARTICLE VIII

Miscellaneous

Section 8.01. The Secretary of the Ministry of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
Thimphu
Bhutan

Facsimile Numbers:

(975) 2-323154
(975) 2-334994.

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2338.

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

KINGDOM OF BHUTAN

By 

LYONPO WANGDI NORBU
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

KUNIO SENGA
Director General
South Asia Department

SCHEDULE 1

Description of the Project

1. The expected impact of the Project is to sustain the Recipient's inclusive economic growth by promoting electricity access. The expected outcome of the Project is to improve access to electricity to the rural households and small businesses and will replace polluting kerosene and fuelwood with clean renewable and sustainable energy.
2. The Project shall include the following components:
 - A. On-Grid Rural Electrification
 3. The Project will provide clean and reliable power to rural households in about seven districts in the central and eastern of Bhutan by expanding the distribution system and assisting electrification to about 8,767 consumers, including households, facilities and industries.
 4. The targeted districts are expected to be Lhuentse, Pemagatshel, Punakha, Samdrup Jongkhar, Sarpang, Trashigang and Wangduephodrang, and part of Dagana and Mongar.
 - B. Off-Grid Rural Electrification
 5. This component will provide about 119 solar photovoltaic (PV) systems to support off-grid rural electrification in isolated areas by targeting schools, health clinics, monasteries, and other community facilities.
 6. The Project will include the provision of consulting services.
 7. The Project is expected to be completed by 30 June 2013.

SCHEDULE 2**Allocation and Withdrawal of Grant Proceeds**General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, and consulting services and other items to be financed out of the proceeds of the ADF Grant and the allocation of amounts of the ADF Grant to each such Category (hereinafter called the "Table").

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the ADF Grant on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of ADF Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the ADF Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the ADF Grant 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 ADF Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the ADF Grant proceeds for financing Goods, Works, and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account: Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, an imprest account at the Bank of Bhutan. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook, and detailed arrangements agreed upon between the Recipient and ADB. The currency of the imprest account shall be Dollars. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated

expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the ADF Grant amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The ceiling of SOE is \$100,000 equivalent per each payment.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Bhutan Green Power Development Project)			
CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing \$ Category	Percentage of ADB Financing from the Grant Account
1	Works	1,310,000	25 percent of total cost*
2	Equipment	330,000	100 percent of total cost*
3	Materials	20,180,000	100 percent of total cost*
4	Unallocated	3,460,000	
	Total	25,280,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

SCHEDULE 3

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the ADF Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this ADF Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping

4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
5. No procurement under national competitive bidding may be undertaken unless ADB and the Recipient have agreed in writing on any modifications or clarifications to the Recipient's national competitive bidding procedures as may be required to ensure their consistency with the Procurement Guidelines. Such modifications or clarifications agreed between the Recipient and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Recipient and ADB.

C. Conditions for Award of Contract

6. The Recipient shall not award any Works contracts for a Subproject financed under the ADF Grant until the following conditions have been met:

(a) any Resettlement Plan that may become necessary for a Subproject shall be submitted to ADB for review and approval and disclosed to affected people in accordance with ADB's applicable information disclosure requirements for resettlement;

(b) ADB has approved the EIA, SIEE, and EMP and any Resettlement Plan that may become necessary for a Subproject and such Subproject complies with all applicable laws and regulations of Bhutan and ADB's *Environment Policy (2002)* and *Involuntary Resettlement Policy (1995)* and applicable disclosure requirements;

(c) the Recipient has made any land and rights to land, available free from any encumbrances and clear the utilities, trees and any other obstruction from such land, required for commencement of construction activities in accordance with the schedule agreed under the related civil works contract;

(d) the relevant requirements from the EMP have been included into the civil works contracts;

(e) minimum workplace occupational safety norms, including the core labor standards as identified by the fundamental International Labor Organization conventions are included in the civil works contract;

(f) the provision for payment of wages to all workers including male and female workers in a timely manner is included in the civil works contract;

(g) women's employment is provided where appropriate, and provision for equal wages for work of equal value is paid to women employees for equivalent work is included in the civil works contract; and

(h) child labor is not employed in project activities and provisions are included in the civil works contract.

E. Industrial or Intellectual Property Rights

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

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

8. The Recipient shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

F. ADB's Review of Procurement Decisions

9. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

SCHEDULE 4**Execution of Project and Operation of Project Facilities;
Financial Matters**I. Project Execution and Implementation ArrangementsA. Project Executing Agency

1. DOE shall be the Project Executing Agency and shall be responsible for the overall execution and supervision of the Project. The Recipient shall cause DOE to follow the implementation arrangements set forth in this schedule.

B. Project Implementing Agency

2. BPC shall be the Implementing Agency and shall be responsible for day to day coordination, implementation, and administration of the Project and all activities required for carrying out the successful implementation of the Project. Such activities include:

- (a) the procurement of Goods and Works;
- (b) construction supervision;
- (c) maintenance of separate project accounts;
- (d) monitoring and reporting upon implementation of the Project; and
- (e) the provision of coordination, support, and liaison activities, including with contractors, district offices and relevant government departments especially the Department of Roads.

3. The Recipient, through DOE, shall follow the implementation arrangements set forth in this schedule.

C. Project Implementation Support Unit

4. The Recipient shall ensure that (a) the project implementation unit established in 2004 by DOE for three ADB rural electrification projects shall function as the Project Implementation Unit (“**PIU**”) for the Project and (b) such PIU shall oversee day-to-day operations of the Project, including in particular disbursement, accounting, logistics management, reporting, monitoring, supervision, organization of research activities, local training and study tours, and coordinating with DOE, relevant government departments, and the Development Partners.

5. The Recipient shall also ensure that (a) the PIU is managed by a full-time Project director, acceptable to ADB; and (b) the Project director is supported by competent full-time personnel acceptable to ADB.

D. Counterpart Funding

6. The Recipient and DOE shall ensure that (a) all local and foreign currency counterpart financing necessary for the Project shall be provided in time to enable completion of the Project activities; (b) additional counterpart financing shall be provided if necessary for any shortfall of funds or cost overruns; and (c) counterpart financing for compensation and entitlements under any Resettlement Plan that becomes necessary for the Project are fully provided directly to affected people prior to their displacement from housing and land.

E. BPC Subsidiary Financing Agreement

7. The Recipient shall execute a BPC Subsidiary Financing Agreement with BPC upon terms and conditions satisfactory to ADB. The Recipient shall have obtained all necessary approvals to enter such Subsidiary Financing Agreement.

F. Financial Indicators

8. The Recipient shall cause BPC to, ensure that BPC shall, (a) maintain the following annual financial ratios: (i) a debt service coverage ratio of 1.5; (ii) a debt to equity ratio of 70:30; and (b) incorporate measures to achieve these financial ratios in the corporate capital expenditure plan.

II. Commercial; Accounts Receivable Collection

9. The Recipient shall and shall cause BPC to maintain accounts receivable that have overdue accounts of less than two months.

III. Environmental Safeguards

10. The Recipient, DOE and BPC shall ensure that the proposed project investments are undertaken and all facilities and associated equipment are assessed, operated and maintained in accordance with applicable laws, and regulations of the Government, ADB's *Environment Policy* (2002), and internal environmental polices and safeguard operational rules of BPC and the National Environment Commission.

11. The Recipient, DOE and BPC shall ensure that the outcomes of each of the IEEs conducted for each geographical area set forth in paragraph 2 of Schedule 1 in which the Rural Electrification Project will be implemented, and the mitigation measures identified in each environmental management plans (EMP) approved by ADB and relevant government agencies are complied with during the design, construction and operation phases of each subproject. The Recipient shall ensure that, and DOE and BPC shall monitor, audit, and report to ADB twice a year on the implementation of the consolidated EMP for the Project

12. The Recipient, DOE and BPC shall each ensure that the subprojects (a) does not take place within national parks, wild and planted forests and wildlife sanctuaries without prior environmental clearances obtained from all relevant government agencies; and (b) avoids monuments of cultural or historical importance.

IV. Land Availability and Resettlement

13. The Recipient, DOE and BPC shall ensure that any damage to crops or trees or any other asset occur during the implementation of the Project will be compensated at market rates to the eligible affected person or community.

14. The Recipient, DOE and BPC shall ensure that construction contracts contain binding requirements for construction contractors to (a) fully reinstate pathways, other local infrastructures, and agricultural land to at least their pre-project condition upon the completion of construction; and (b) adequately record the condition of roads, agricultural land and other infrastructure prior to transport of material and construction commencement.

15. The Recipient shall ensure, and shall cause DOE and BPC to ensure that (a) any land and rights-of-way required by the Project are made available in a timely manner; and (b) the subprojects shall not require Significant Involuntary Resettlement and any involuntary resettlement will be avoided or minimized. If land acquisition and/or involuntary resettlement are required for any Subproject, the Recipient shall, or shall cause the DOE and BPC to, prepare a Resettlement Plan for such Subproject in accordance with (a) applicable laws and regulations; and (b) ADB's *Policy on Involuntary Resettlement* (1995) and related requirements. Such Resettlement Plan shall be submitted to ADB for review and approval, prior to any land acquisition being initiated and no later than the award of civil works. Any such Resettlement Plan shall be prepared based on the final detailed design for such Subproject, and such Resettlement Plan shall be disclosed to affected people in accordance with ADB's applicable information disclosure requirements for resettlement.

V. Labor and Health

16. The Recipient, through DOE and BPC, shall ensure (a) that all civil works contracts require contractors employed under the project to incorporate minimum workplace occupational safety norms, including the core labor standards as identified by the fundamental ILO conventions; (b) provide timely payment of wages to all workers including male and female workers (with such requirements being included in civil works contract and monitored by construction supervision consultants); (c) provide women's employment, where appropriate, and pay equal wages to the women employees for equivalent work; (d) not employ child labor in project activities, in compliance with the relevant laws and regulations of the Recipient; and (e) monitor the implementation of these provisions, including the effects of the Project on women, through collection and compilation of gender-disaggregated data, where relevant, including in any Resettlement Plan that becomes necessary for the Project, social development action plan, and PPMES and provide monitoring reports of these activities to ADB.

17. The Recipient, DOE, and BPC shall cause the contractors to disseminate information on the risks of socially and sexually transmitted diseases, including HIV/AIDS and malaria to their employees during project implementation

VI. Governance and Anti-Corruption

18. The Recipient shall comply with, and shall cause DOE and BPC to carry out the Project in accordance, with ADB's *Anti-corruption Policy* (1998, as amended to date) and

all applicable law. The Recipient acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project and shall ensure that DOE and BPC cooperate fully with any such investigation and extend all necessary assistance as may be necessary for successful completion of the investigation.

VII. Planning, Monitoring and Review

A. Disbursements and Performance Audits

19. The Recipient shall ensure that the PIU reviews invoices from firms engaged in implementing the Project, and makes payments within 30 days of their receipt or inform the Contractors of any shortfalls in its ability to make payment of the invoices.

20. The Recipient shall allow and facilitate ADB's representatives to conduct spot and random checks on (i) flow of funds and their use for the Project in accordance with the Grant Agreement; (ii) work-in-progress; and (iii) Project implementation.

B. Project Performance Monitoring and Evaluation System

21. During Project implementation, The Recipient shall cause BPC, through the PIU, to develop a Project Performance Monitoring and Evaluation System ("PPMES") including baseline performance monitoring, and systematic Project performance monitoring, including benefits monitoring and evaluation acceptable to ADB and the other donors. DOE shall carry out surveys (a) at the start of Project implementation to establish baseline data, (b) at Project mid-term, and (c) at the time of Project completion and not later than six months after Project completion, to evaluate the Project benefits. Data to be compiled and analyzed for the purpose of performance monitoring and evaluation shall be in a format acceptable to ADB. Key indicators shall be proposed by DOE and acceptable to ADB.

C. Annual Budget Plan

22. By 31 December of each year of Project implementation, DOE shall cause BPC to, and BPC shall, provide ADB with an annual budget plan for the following fiscal year.

D. Semiannual Reviews

23. The Recipient and ADB shall carry out semiannual reviews of the Project during Project implementation. The semiannual reviews shall include an examination of budgetary allocations for the Project, operation and maintenance costs, staffing, implementation arrangements and achievements under the Project. The review shall include assessing progress for each Project component, identifying difficulties and constraints, and determining ways to overcome them.

E. Midterm Review

24. The Recipient and ADB shall jointly carry out a midterm review of the Project during the third year of Project implementation or at any other time as may be agreed upon by the Recipient and ADB. The results of the midterm review shall be discussed by the Recipient and ADB and if required, appropriate corrective measures shall be formulated to

ensure successful Project implementation and achievement of the Project objectives by the Grant Closing Date.