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GRANT NUMBER 0178-CAM(SF)

GRANT AGREEMENT  
(Special Operations)

(Strengthening Technical and Vocational Education and Training Project)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 27 DECEMBER 2009

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GAS:CAM 40555

**GRANT AGREEMENT  
(Special Operations)**

GRANT AGREEMENT dated 27 December 2009 between KINGDOM OF CAMBODIA (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement; and

(B) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth.

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Grant Regulations; Definitions**

Section 1.01. All 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) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and Its Recipients dated February 2007, as amended from time to time;

(b) "DGTVET" means the Directorate General of Technical and Vocational Education and Training within the Recipient's MOLVT or any successor thereto;

(c) "Goods" means equipment and materials to be financed out of the proceeds of the Grant; including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(d) "ICT" means information and communication technology;

- (e) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook dated January 2007, as amended from time to time;
- (f) "M&E" means monitoring and evaluation;
- (g) "MEF" means the Recipient's Ministry of Economy and Finance or any successor thereto;
- (h) "MOLVT" means the Recipient's Ministry of Labor and Vocational Training or any successor thereto;
- (i) "NTB" means the National Training Board;
- (j) "NTTI" means the National Technical Training Institute;
- (k) "O&M" means operation and maintenance;
- (l) "PCU" means the Project Coordination Unit established in accordance with paragraph 2 of Schedule 4 to this Grant Agreement;
- (m) "PPMS" means the Project Performance Management System;
- (n) "Procurement Guidelines" means ADB's Procurement Guidelines dated February 2007, as amended from time to time;
- (o) "Procurement Plan" means the procurement plan for the Project dated 5 October 2009 and agreed between the Recipient and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;
- (p) "Project Beneficiary Institutions" means NTTI, the formal training institutes supported under the Project, including the RTCs, the PTCs, the Cambodia-India Entrepreneurship Development Center (CIEDC), Industrial Technical Institute (ITI); the Preah Kossamak Polytechnic Institute (PPI); and the National Institute of Business (NIB);
- (q) "Project Executing Agency" for the purposes of, and within the meaning of, the Grant Regulations means MOLVT or any successor thereto acceptable to ADB, which is responsible for carrying out the Project;
- (r) "Project facilities" means the PTCs and RTCs, including classrooms, dormitories, workshops and related Works to be constructed, rehabilitated, or upgraded and the equipment to be purchased pursuant to this Grant Agreement;
- (s) "Project Steering Committee" means the NTB, as described in paragraph 3 of Schedule 4 to this Grant Agreement;
- (t) "PTB" means the Provincial Training Boards;
- (u) "PTC" means the Provincial Training Centers;

(v) "RTC" means the regional training centers to be created through upgrade of five PTCs in the provinces of Kampot, Siem Reap, Takeo, Battambang and Svay Rieng;

(w) "SGIA" means second generation imprest account;

(x) "TVET" means technical and vocational education and training;

(y) "VSTP" means the Voucher Skills Training Program established as a pilot program under ADB Loan 2122-CAM providing funds to the poorest communes for rural livelihood and non-formal TVET programs managed by VSTP implementing institutions and selected with participation by communities;

(z) "VSTP implementing institutions" means 18 PTCs, 5 polytechnic institutes, and Japan Vocational Center; and

(aa) "Works" means construction or civil works to be financed out of the proceeds of the 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 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 Grant Agreement an amount of twenty four million five hundred thousand Dollars (\$24,500,000).

## **ARTICLE III**

### **Use of Proceeds of the Grant**

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

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

Section 3.03. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. 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 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 July 2015 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 Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest accounts/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents.

## **ARTICLE V**

### **Effectiveness**

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

## **ARTICLE VI**

### **Miscellaneous**

Section 6.01. The Minister of Economy and Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

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

#### For the Recipient

Ministry of Economy and Finance  
Royal Government of Cambodia  
Phnom Penh, Cambodia

Facsimile Numbers:

+855 23 427798  
+855 23 428424.

#### For ADB

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

Facsimile Numbers:

+632 636 2444

+632 636 2228.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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 CAMBODIA

By   
\_\_\_\_\_  
H.E. KEAT CHHON  
Authorized Representative

ASIAN DEVELOPMENT BANK

By   
\_\_\_\_\_  
PUTU M. KAMAYANA  
Country Director  
Cambodia Resident Mission

## SCHEDULE 1

### Description of the Project

1. The Project will strengthen the national TVET delivery system in both rural and urban areas. The expected outcome is an expanded, enterprise-endorsed and more integrated training system better aligned to the basic and middle level skills requirements of the formal and informal economies.

2. The Project comprises three outputs:

**Output 1: Strengthen Formal TVET Programs and Improve Access**

This output will:

- (a) upgrade five PTCs to RTCs, with expanded classroom and computer facilities, and new skills laboratories and workshops in three targeted industry sectors: mechanics, construction, and ICT and business, as well as hostels for female students to improve access to formal TVET programs;
- (b) train RTC directors in institutional management and development and NTTI teachers and trainers in pedagogy and curriculum and skills-standards development;
- (c) develop competency standards for the three industry sectors, develop skills standards-based training modules based on these competency standards, and train and mentor all PTC and RTC teachers in TVET skills development and instructional techniques for the new curriculum;
- (d) support the establishment of industry advisory groups in each target technology to review and endorse standards, and provide assistance in curriculum and training development and assessment procedures; and
- (e) establish an integrated system to develop skills standards, curriculum, training materials, and TVET teacher training through bringing together NTTI, three technical institutes (NIB, ITI, PPI) and the institute for entrepreneurship development (CIEDC).

**Output 2: Expand and Improve Quality of Non-Formal TVET Training**

This output will:

- (a) establish PTCs in the rural provinces of Preah Vihear and Mondulhiri, and provide classrooms, workshops, equipment and teacher upgrading; and rehabilitate existing PTCs as needed;

- (b) extend VSTP to all 23 provinces, and pilot an urban VSTP in Phnom Penh to be managed by the Japan Vocational Center, a training institution under MOLVT;
- (c) train and mentor PTC directors and staff in (i) management and planning; (ii) finance; (iii) community outreach, entrepreneurship and revenue generation; (iv) data reporting; (v) PTB support; (vi) informal apprenticeship development; and (vii) career guidance and job placement for graduates;
- (d) provide skills standards-based training to all PTC instructors in the new curricula; and
- (e) develop new courses, curricula and standards to systematize non-formal training and introduce pathways to higher level training.

**Output 3: Strengthen Institutional Capacity to Plan and Manage TVET**

This output will:

- (a) support various capacity building and training activities in policy and systems development; planning; system management and supervision; budget preparation and disbursement; financial management and reporting requirements; information collection, processing, analysis and dissemination; quality assurance; and national qualifications framework development and implementation;
- (b) undertake a comprehensive review of current TVET policies, strategies and structures to identify the major reforms needed and produce a sector strategy and road map;
- (c) conduct a study of the regulatory and financing framework for the TVET system, including examining the scope for public-private partnerships, the costs and benefits of introducing a training levy, and improved institutional financing;
- (d) support the formulation of a new Medium Term TVET Development Plan, a Medium Term Expenditure Framework 2011–2015 and Annual Development Plans for 2010 to 2014;
- (e) support the design, development and commissioning of a management information system for the TVET sector and a labor management information system to ensure essential data on the skill requirements of industry is available for system management and planning;
- (f) provide ICT facilities and training;
- (g) support the development of a national TVET qualifications framework and skills standards in the three industry sectors, and establishment of industry and enterprise links for replication in further skills areas; and

- (h) develop and distribute career guidance materials to secondary schools and develop an appropriate web portal to disseminate career guidance information to increase TVET enrollment.

3. The Project, which includes the provision of consulting services, is expected to be completed by 31 January 2015.

## SCHEDULE 2

### Allocation and Withdrawal of Grant Proceeds

#### General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of 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 Grant on the basis of the percentages set forth in the Table.

#### Reallocation

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

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the 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 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 Grant proceeds for financing Goods, Works, consulting services and other items shall be disbursed in accordance with the Loan Disbursement Handbook.

#### Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Recipient shall (i) establish, immediately after the Effective Date, an imprest account at the National Bank of Cambodia, and (ii) cause MOLVT to establish, immediately after the Effective Date, an SGIA at a commercial bank acceptable to ADB. The imprest accounts shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The currency of the

Schedule 2

imprest accounts shall be Dollars. The amount to be deposited into the imprest account shall be equivalent to the estimated expenditure to be financed through the imprest account for the next 6 months of Project implementation, but in any event shall not exceed two million Dollars (\$2,000,000). The amount to be deposited from the imprest account into the SGIA shall be equivalent to the initial deposit into the imprest account. Each transfer from the imprest account to the SGIA shall take place within 2 weeks of deposit into the imprest account.

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures for any individual payment not exceeding \$100,000, and to liquidate advances provided into the imprest account in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB.

(c) Funds for VSTP shall be transferred directly from the SGIA to the bank accounts of the 24 VSTP implementing institutions, each of which shall be authorized to make payments and reimbursements agreed under the VSTP and provided under the VSTP Financial Handbook. The statement of expenditure procedure shall not be used by the VSTP implementing institutions, and all supporting documents including evidence of expenditures shall be retained by the PCU.

Condition for Disbursement into Imprest Account

6. Notwithstanding any other provision of this Grant Agreement, no deposit shall be made from the Grant Account into the imprest account until the SGIA has been established.

Condition for Withdrawal from Imprest Accounts

7. Notwithstanding any other provision of this Grant Agreement, the Recipient shall ensure that no withdrawal shall be made from the SGIA if a misprocurement has occurred or other procurement action by MOLVT, the PCU or a Project Beneficiary Institution has been identified as irregular until such misprocurement or other irregularity has been corrected by the PCU to the satisfaction of the Recipient and ADB.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS</b>			
<b>(Strengthening Technical and Vocational Education and Training Project)</b>			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Amount Allocated \$ Category</b>	<b>Percentage and basis for Withdrawal from the Grant Account</b>
1	Civil Works	2,642,000	91 percent of total expenditure
2	Equipment	4,030,000	100 percent of total expenditure*
3	Learning Materials	240,000	91 percent of total expenditure
4	Training	1,794,000	95 percent of total expenditure
5	Consultants	4,108,000	100 percent of total expenditure*
6	Voucher Skills Training Program	6,238,000	100 percent of total expenditure*
7	Surveys and Studies	360,000	91 percent of total expenditure
8	Recurrent Costs	2,598,000	82 percent of total expenditure
9	Unallocated	2,490,000	
	Total	24,500,000	

\* Excluding local taxes and duties.

### SCHEDULE 3

#### Provisions on Procurement and Consulting Services

##### A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the 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 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

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.

4. National Competitive Bidding. The Recipient and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Recipient's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures 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. Condition for Award of Contract

5. The Recipient shall not award any Works contract financed under the Grant until it shall have confirmed that no land acquisition or resettlement is required at the relevant Project site.

##### D. Selection of Consulting Services

6. Quality- and Cost-Based Selection (QCBS). Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Recipient shall apply quality- and cost-based selection for selecting and engaging consulting services.

7. The Recipient may apply Consultant's Qualification Selection (CQS) for selecting and engaging the following consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan: (i) conducting policy studies on the development and financing of the TVET sector; (ii) conducting baseline, midterm and final Project evaluations; and (iii) providing out-of-country training and study tours. The Recipient shall recruit individual consultants as needed in accordance with procedures set forth in the Procurement Plan.

**E. Industrial or Intellectual Property Rights**

8. (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 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.

9. 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**

10. All contracts procured under international competitive bidding procedures, the first two sets of bidding documents for Goods and Works contracted through national competitive bidding procedures, the first contract for Goods and Works procured through Shopping, and all 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; and Other Covenants

#### Project Executing Agency

1. MOLVT shall be the Project Executing Agency for the Project responsible for the overall implementation and coordination of the Project. The Secretary of State, MOLVT shall be the Project director, and shall oversee Project implementation.

#### Project Management

2. DGTVET shall be the implementing agency, and shall establish a PCU within it. The PCU shall be headed by a project coordinator (the Director General, DGTVET), who shall be responsible for day-to-day Project implementation, planning and budgeting, procurement, disbursement, monitoring, supervising, overseeing of implementation in the training institutions, and submitting required reports to the Recipient and ADB. The Project coordinator shall be supported by an executive administrative officer. The PCU shall have at least 15 staff members, including specialists in procurement, finance, monitoring, and reporting, and administrative staff. Technical specialists from each department of DGTVET shall support the implementation of the Project's technical programs. PCU activities shall be assisted by an international finance consultant, an international and national M&E consultant, and a national consultant in civil works and procurement.

#### Project Steering Committee

3. The NTB shall act as the Project Steering Committee. The NTB is chaired by a Deputy Prime Minister and includes senior representatives of all ministries involved in economic development and training, and private sector membership. It shall provide guidance to the Project on general policy and strategic directions, and ensure coordination with the concerned ministries and institutions.

#### Project Sites

4. The Recipient shall ensure that construction of the new PTCs and RTCs shall be on the sites identified and agreed between MOLVT and ADB. The Recipient shall ensure that these sites are not changed. In the event that land acquisition and resettlement is required for any activities funded under the Project, the Recipient shall ensure that land acquisition and resettlement is carried out in accordance with ADB's *Involuntary Resettlement Policy* (1995).

#### Conduct of Studies and Development of TVET Plans

5. The Recipient shall cause MOLVT to ensure that policy studies on future directions for TVET and TVET financing shall be carried out in accordance with the terms of reference for those studies and the studies' recommendations are used in the development and implementation of future TVET policies and strategies. The Recipient shall cause MOLVT to develop a TVET Development Plan, a Medium Term Expenditure Framework 2012–2014 and Annual Operational Plans for 2010 to 2015.

6. The Recipient shall cause MOLVT to ensure that, not later than 12 months after the Effective Date, an initial baseline survey in accordance with the Project's Design and Monitoring Framework is conducted and a detailed implementation plan for monitoring performance results throughout the Project is submitted to ADB.

#### Project Sustainability

7. The Recipient shall cause MOLVT to ensure that all civil works undertaken, including the construction of multi-story buildings, comply with relevant building and safety standards.

8. The Recipient shall cause MOLVT to ensure that the necessary funding and expertise shall be in place so that newly constructed PTCs and upgraded RTCs, as well as all equipment and machinery obtained under the Project, are maintained in accordance with sound maintenance practices.

9. The Recipient shall ensure that financial and operational support is provided for VSTP after Project support is completed in each province.

10. The Recipient shall ensure that officers in relevant positions and with appropriate technical expertise and necessary language skills are selected for regional training and study tours. With the support of the Project consultants, the Recipient shall undertake capacity development for NTB, MOLVT, Project Beneficiary Institutions, and the PTBs.

#### Industry Advisory Groups

11. By the end of the first year of Project implementation, the Recipient shall ensure that an industry advisory group for each targeted industry sector is established.

#### Gender and Ethnic Minorities

12. The Recipient shall cause MOLVT to ensure that the Project shall be carried out in accordance with ADB's *Policy on Gender and Development* (1998) and ADB's *Policy on Indigenous Peoples* (1998), and that the Gender and Ethnic Minorities Analysis and Action Plan agreed for the Project between the Recipient and ADB is fully implemented, including specifically that: (a) at least 50% of the recipients of training under VSTP and at least 50% of enrollments in each PTC are women; (b) women comprise at least 30% of newly hired teaching and administrative staff at each RTC and the two new PTCs; (c) women comprise at least 50% of enrollments in business and ICT at each RTC; (d) at least 30% of teaching staff in ICT and business shall be women; (e) at least 25% of the members in each advisory group shall be women; (f) at least 25% of NTB, PTB and senior MOLVT officials, and at least 50% of senior DGTVE and Project Beneficiary Institutions staff, selected as regional study tour participants are women; (g) at least 30% of provincial Labor and Vocational Training Department staff selected for regional training are women; and (h) at least 40% of enrollments at the newly constructed PTC in Mondulkiri are ethnic minorities.

Environment

13. The Recipient shall cause MOLVT to ensure that design, construction and operation of the PTCs and RTCs shall be done in accordance with the Recipient's laws and regulations and ADB's *Environment Policy* (2002), including the requirements for environmental assessment (if any). All Works contracts shall contain standard requirements for environmental impact mitigation.

Labor Standards

14. The Recipient shall ensure that the construction contractors: (a) provide timely payment of wages and safe working conditions to all workers and are monitored by the PCU; (b) promote women's employment, where appropriate; (c) pay equal wages to men and women employees for the same kind of work; (d) do not employ child labor as required by the relevant laws and regulations of the Recipient; (e) maximize the employment of local poor people who meet the job and efficiency requirements for construction and maintenance of the Project facilities; and (f) include specific provisions to give effect to this clause in the Works contracts and strictly monitor its compliance.

Project Implementation and Fund Flows

15. The Recipient shall ensure that the implementation arrangements and funds flow mechanisms agreed between the Recipient and ADB shall remain the same throughout the Project implementation period and shall not be affected by the Recipient's decentralization and deconcentration processes.

Accounting, Auditing and Reporting

16. Without limitation to the overall application of Section 4.02 of this Grant Agreement, the Recipient shall cause MOLVT to ensure that (a) audit of the Project account by an independent auditor acceptable to ADB is timely undertaken using international accounting and auditing standards; (b) consolidated audit reports are submitted to ADB within 6 months of the close of the Recipient's fiscal year; and (c) the audit opinion includes: (i) an assessment of the adequacy of accounting and internal control systems regarding Project expenditures and transactions to ensure safe custody of Project-financed assets; (ii) a determination as to whether the Recipient, MOLVT, and all Project Beneficiary Institutions have maintained adequate documentation for all financial transactions, specifically including the statement of expenditure and imprest account procedures; and (iii) confirmation of compliance with the Project financial management system and ADB's requirements for Project management.

17. The Recipient shall cause MOLVT to require each Project Beneficiary Institution to keep separate accounts and evidence of expenditures (the Project-related accounts) and to submit these for review to the PCU quarterly and annually. The Recipient shall cause MOLVT to ensure that the PCU: (a) reviews and retains supporting documents including evidence of expenditures; and (b) undertakes spot checks on the Project-related accounts at Project Beneficiary Institutions through semi-annual audits of accounts and records. In cases where financial or other irregularities have occurred in relation to project funds, the PCU may suspend project supported activities at the institution involved until the case is resolved to the satisfaction of the PCU. Matters of funds recovery shall be

determined on the advice of the PCU in collaboration with ADB.

18. The Recipient shall cause MOLVT to ensure that the PCU prepares and submits to ADB and DGTJET quarterly reports on the status and progress in Project implementation, and use of funds in Project implementation, within 1 month of the completion of each quarter. The reports shall be in a format acceptable to ADB and indicate: (a) progress made against established targets; (b) status of performance against stated indicators; (c) financial and procurement-related information; (d) problems encountered and remedial actions taken; (e) compliance with Grant covenants; and (f) proposed program of activities for the following quarter. The Recipient shall ensure that within 3 months following the physical completion of the Project, MOLVT shall prepare and submit to ADB a Project completion report in the agreed format.

#### Anticorruption

19. During Project implementation, the Recipient shall apply, and cause MOLVT and DGTJET to apply, ADB's *Anticorruption Policy*, it being understood that ADB reserves the right to investigate directly, or through its agents, any possible corrupt, fraudulent, collusive or coercive practices relating to the Project. To support these efforts, the Recipient shall ensure that (a) MOLVT includes in the bidding documents for the Project, and in all contracts financed by ADB in connection with the Project, the provisions specifying the right of ADB to audit and examine the records and accounts of MOLVT, the PCU, Project Beneficiary Institutions and all contractors, suppliers, consultants and other service providers as they relate to the Project; (b) periodic inspections of the contractors' activities related to fund withdrawals and settlements under the Project are carried out; and (c) the Project auditors have the right to conduct random or spot audits for contract implementation activities under the Project. The cost of this auditing shall be borne by the Project. The Recipient shall ensure that MOLVT complies with all provisions of the Good Governance Framework agreed to with ADB for the Project in a timely manner.

20. Within 12 months of the Effective Date, the Recipient shall cause MOLVT to create a Project webpage linked to the MOLVT and/or NTB website to disclose information about various matters on the Project, including procurement. Information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of Goods, Works and services procured shall be disclosed on the Project webpage.

21. Within 12 months of the Effective Date, the Recipient shall cause MOLVT to ensure that there is a grievance redress mechanism at the PCU, RTCs and PTCs to review and address stakeholder grievances and reports on misuse of funds and other irregularities in relation to the Project, any of the service providers, or any person responsible for carrying out the Project and shall ensure that the existence of this mechanism is publicized. The Recipient shall also ensure that the existence of ADB's Office of Anticorruption and Integrity, which investigates allegations of fraud, corruption and abuse in ADB-financed projects, is widely publicized within Project Beneficiary Institutions and MOLVT.

#### Project Performance Monitoring and Evaluation

22. The Recipient shall cause MOLVT to ensure that a comprehensive and gender-disaggregated project management and evaluation system shall be designed for the

Project. The PPMS shall be operated throughout Project implementation to: (a) examine the Project's technical performance; (b) evaluate delivery of Project facilities; (c) assess achievement of the Project's objectives; and (d) measure the Project's social, economic, financial, and institutional impacts. The PCU shall be responsible for carrying out PPMS activities. The PCU shall establish a PPMS baseline based on surveys to be conducted in the first year of Project implementation. Annual PPMS reports shall be prepared by the PCU and submitted to ADB.

#### Project Review

23. The Recipient and ADB shall jointly review the Project's progress and MOLVT's use of funds at least twice a year. The Recipient and ADB shall jointly undertake a midterm review shortly after the PCU's submission of the third annual report. The midterm review shall focus on overall project strategy and achievements, which may require adjustments of targets and processes and reallocation of resources. Specifically, the midterm review shall (a) review the Project scope, design, implementation arrangements, institutional development, and capacity building; (b) assess Project implementation against projections and performance indicators; (c) review compliance with Grant covenants; (d) identify critical issues, problems, and constraints; and (e) recommend changes in Project design or implementation. The Recipient shall ensure that 1 month before the review, the PCU shall submit to ADB a comprehensive report on each of these issues.