
LOAN NUMBER 2406-CAM(SF)

LOAN AGREEMENT
(Special Operations)
(Road Asset Management Project)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 18 FEBRUARY 2008

LAS:CAM 41123

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 18 February 2008 between KINGDOM OF CAMBODIA (the "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 Borrower has also applied to IDA (as defined in Section 1.02(k) of this Loan Agreement) for a loan in an amount equivalent to thirty million dollars (\$30,000,000) for the purposes of financing a portion of the Project;

(C) the Borrower has also applied to the Government of Australia through AusAID (as defined in Section 1.02(a) of this Loan Agreement) for a grant in an amount equivalent to six million Australian dollars (A\$6,000,000) for the purposes of financing a portion of the Project; and

(D) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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

- (a) "AusAID" means the Australian Agency for International Development;
- (b) "AusAID Grant" means the grant in the amount of A\$6,000,000 equivalent to be provided by AusAID and administered by ADB;
- (c) "Australian Dollar" or the sign "A\$" each means the lawful currency of Australia;

(d) "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;

(e) "DGPW" means the Directorate General of Public Works under MPWT and any successor thereto;

(f) "EMP" means the Environmental Management Plan as submitted by the Borrower to ADB on 12 November 2007;

(g) "Good Governance Framework" means the Good Governance Framework for the Project that has been agreed between the Borrower and IDA;

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

(i) "HIV/AIDS" means human immunodeficiency virus/acquired immunodeficiency syndrome;

(j) "ICRRM" means the existing Interministerial Committee for Coordinating Road Repair and Maintenance that will act as the Project steering committee, as described in paragraph 2 of Schedule 5 to this Loan Agreement;

(k) "IDA" means the International Development Agency;

(l) "IDA Credit" means the credit in the amount of \$30,000,000 equivalent to be provided by IDA;

(m) "IDA Credit Agreement" means the credit agreement to be signed between IDA and the Borrower in relation to the IDA Credit;

(n) "IEE" means initial environmental examination submitted by the Borrower to ADB on 12 November 2007;

(o) "Implementing Agency" means the DGPW with responsibilities as set out in accordance with paragraph 3 of Schedule 5 to this Loan Agreement;

(p) "MEF" means the Borrower's Ministry of Economy and Finance and any successor thereto;

(q) "MPWT" means the Borrower's Ministry of Public Works and Transport and any successor thereto;

(r) "MPWT roads" for the purposes of this Project, means the national and provincial roads managed by MPWT that have been rehabilitated and are in maintainable condition;

(s) "NGO" means nongovernmental organization;

(t) "Prakas" for the purpose of this Loan Agreement, means instructions or regulations issued by the Borrower's Minister;

(u) "Procurement Guidelines" means ADB's Procurement Guidelines dated February 2007, as amended from time to time;

(v) "Procurement Plan" means the procurement plan for the Project dated 27 November 2007 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(w) "Project Director" means the Project Director appointed in accordance with paragraphs 3 and 4 of Schedule 5 to this Loan Agreement;

(x) "Project Executing Agency" for the purposes, and within the meaning, of the Loan Regulations means MPWT, and any successor thereto acceptable to ADB, which is responsible for the overall supervision and execution of the Project;

(y) "Project facilities" means the facilities and equipment provided under the Project;

(z) "RAMO" means the Road Asset Management Office established within the MPWT and any successor thereto; and

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

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to three million seven hundred sixty one thousand Special Drawing Rights (SDR 3,761,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 May and 15 November 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 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 Dollar.

ARTICLE III

Use of Proceeds of the Loan

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

Section 3.02. The Goods, Works, and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works, and consulting services and other items of expenditure shall be 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, all Goods, Works, and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan 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 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 Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2013 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 5 to this Loan Agreement.

Section 4.02. (a) The Borrower 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 Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account/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 Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower 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 Borrower unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loan, and any relevant records and documents.

ARTICLE V

Suspension; Cancellation; 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: the IDA Credit Agreement shall have been suspended and/or cancelled.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purpose 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 are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) The Borrower shall have issued a Prakas to establish the RAMO. The Prakas shall clearly set out the functions, structure and officers responsible for managing RAMO;

(b) The Borrower shall have appointed one of the Deputy Director Generals of DGPW as the Project Director in accordance with paragraph 3 of Schedule 5 to this Loan Agreement; and

(c) The IDA Credit Agreement shall have been signed between the Borrower and IDA and all conditions for the effectiveness (except the conditions for the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Economy and 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 Economy and Finance
The Royal Government of Cambodia
Phnom Penh, Cambodia

Facsimile Number:

(855 23) 428-424


For ADB

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

Facsimile Numbers:


(632) 636-2444
(632) 636-2336

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 and to be delivered at the principal office of ADB, as of the day and year first above written.

By 

H.E. KEAT CHHON
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

1. The Project will assist MPWT in the periodic maintenance of about 950 km of the national and provincial roads administered by MPWT and assist MPWT in developing its road asset management capacity to enable it to effectively carry out road maintenance and road asset management.

2. The Project consists of the following components:

Component A: Road Maintenance

- (a) Periodic Maintenance work for about 950km of the MPWT roads. Periodic maintenance works may include:
 - (i) roads resealing, including the associated preparatory and ancillary works; and
 - (ii) shoulder reconstruction, sealing and pavement rehabilitation or similar works that would not normally be considered part of periodic maintenance but is necessary to secure the integrity of the network.
- (b) Provide consulting services to DGPW in managing and implementing the Project.

Component B: Capacity Development

- (a) Strengthen MPWT's road management processes, systems and staff capacity, including the capacity of RAMO, to undertake effective road asset management;
 - (b) Assist MPWT in spinning-off some of its force account units to the private sector; and
 - (c) Provide financial support to general programs aimed at mitigating negative impacts of road traffic.
3. The Project is expected to be completed by 30 June 2013.

SCHEDULE 2

Amortization Schedule (Road Asset Management Project)

Date Payment Due	Payment of Principal (expressed in SDR)*
15 May 2016	78,354.00
15 November 2016	78,354.00
15 May 2017	78,354.00
15 November 2017	78,354.00
15 May 2018	78,354.00
15 November 2018	78,354.00
15 May 2019	78,354.00
15 November 2019	78,354.00
15 May 2020	78,354.00
15 November 2020	78,354.00
15 May 2021	78,354.00
15 November 2021	78,354.00
15 May 2022	78,354.00
15 November 2022	78,354.00
15 May 2023	78,354.00
15 November 2023	78,354.00
15 May 2024	78,354.00
15 November 2024	78,354.00
15 May 2025	78,354.00
15 November 2025	78,354.00
15 May 2026	78,354.00
15 November 2026	78,354.00
15 May 2027	78,354.00
15 November 2027	78,354.00
15 May 2028	78,354.00
15 November 2028	78,354.00
15 May 2029	78,354.00
15 November 2029	78,354.00
15 May 2030	78,354.00
15 November 2030	78,354.00
15 May 2031	78,354.00
15 November 2031	78,354.00
15 May 2032	78,354.00
15 November 2032	78,354.00
15 May 2033	78,354.00
15 November 2033	78,354.00
15 May 2034	78,354.00
15 November 2034	78,354.00
15 May 2035	78,354.00
15 November 2035	78,354.00
15 May 2036	78,354.00
15 November 2036	78,354.00

Date Payment Due	Payment of Principal (expressed in SDR)*
15 May 2037	78,354.00
15 November 2037	78,354.00
15 May 2038	78,354.00
15 November 2038	78,354.00
15 May 2039	78,354.00
15 November 2039	<u>78,362.00</u>
Total	<u><u>3,761,000.00</u></u>

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity 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 Goods, Works, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan 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 and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

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

Interest Charge

3. The amount allocated to Category 4 is for financing the interest charge on the Loan during the implementation period of the Project.

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 then 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 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

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at the National Bank of Cambodia. 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 Borrower and ADB. The currency of the imprest account shall be Dollar. The initial and the ceiling amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be paid out of the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan.

(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 Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$50,000.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Road Asset Management Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Civil Works	3,046,000		52 percent of total expenditure
2	Training	188,000		100 percent of total expenditure*
3	Consulting Services (first year implementation consultant)	82,000		100 percent of total expenditure*
4	Interest Charge	113,000		100 percent of amount due
5	Unallocated	332,000		
	Total	3,761,000		

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

SCHEDULE 4

Provisions on Procurement and Consulting Services

A. General

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

B. Procurement for Goods and Works

4. 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 Borrower 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. Domestic Preference. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Work.

6. National Competitive Bidding. The procedures to be followed for national competitive bidding shall be those set forth for the “National Competitive Bidding” method in the Borrower’s Procurement Manual of September 2005 issued under Prakas 587 MEF of 19 September 2005 (Prakas on Promulgating of the Procurement Manual for Implementing the World Bank and the Asian Development Bank Assisted Projects) with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

i. Application

Contract packages subject to National Competitive Bidding procedures will be those identified as such in the project Procurement Plan. Any changes to the mode of procurement from those provided in the

Procurement Plan shall be made through updating of the Procurement Plan, and only with prior approval of ADB.

ii. Eligibility

Bidders shall not be declared ineligible or prohibited from bidding on the basis of barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

iii. Advertising

Bidding of contracts estimated at \$500,000 or more for Goods or \$1,000,000 or more for Works shall be advertised concurrently with the general procurement notices on ADB's website.

iv. Anticorruption

Definitions of the terms "corrupt practice", "fraudulent practice", "collusive practice" and "coercive practice" shall reflect the harmonized definitions given in the ADB's policy on *Anticorruption* (1998, as amended to date).

v. Rejection of all Bids and Rebidding

Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

vi. Bidding Documents

The bidding documents provided in the Borrower's Procurement Manual shall be used to the extent possible. The first draft English language version of the procurement documents shall be submitted for ADB review and approval, regardless of the estimated contract amount, in accordance with agreed review procedures (post and prior review). The ADB-approved procurement documents will then be used as a model for all procurement financed by ADB for the project, and need not be subjected to further review unless specified in the Procurement Plan.

vii. Member Country Restrictions

Bidders must be nationals of member countries of ADB, and offered Goods and Works must be produced in and supplied from member countries of ADB.

C. Selection of Consulting Services

7. The Borrower shall recruit individual consultants for the first year implementation consultant and the technical audit consultant in accordance with procedures acceptable to ADB for recruiting individual consultants.

D. Industrial or Intellectual Property Rights

8. (a) The Borrower 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 Borrower 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 Borrower 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.

E. ADB's Review of Procurement Decisions

10. 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 Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Project Executing Agency

1. MPWT shall be the Project Executing Agency and shall be responsible for the overall technical supervision and execution of the Project.

Project Steering Committee

2. ICRRM shall be the Project steering committee and shall be responsible for overseeing the execution of the Project. ICRRM is responsible for the coordination between MEF and MPWT on all matters pertaining to maintenance, planning, implementation and disbursement for the national roads.

Project Management

3. DGPW shall be the Implementing Agency and shall be responsible for the direct supervision and day-to-day implementation of the Project. The Project shall be carried out using the existing MPWT structure. No separate project management unit will be established. A Project Director shall be appointed by the Minister of MPWT from one of the Deputy Director Generals for Public Works.

4. The Project Director shall (i) coordinate the work of the involved line organizations in MPWT, including RAMO; (ii) provide overall construction supervision; (iii) carry out public awareness campaign on HIV/AIDS and human trafficking; (iv) monitor and supervise all project management activities; (v) engage consultants and carry out procurement; (vi) organize monitoring and evaluation activities; (vii) prepare necessary project progress and project completion reports to be submitted to ICRRM, ADB, AusAID and IDA; and (viii) ensure full compliance with ADB's resettlement, environment and other safeguards policies. The Project Director shall receive support from other DGPW staff and the implementation support consultants.

Counterpart Funds

5. The Borrower shall provide counterpart funds for Project implementation on time. MPWT shall make timely submission of annual budgetary appropriation request to MEF and MEF shall ensure prompt disbursement of appropriated funds during each year of Project implementation.

Road Maintenance

6. The Borrower, through MPWT, shall ensure that the Project roads are properly maintained and that proper technical supervision and adequate routine funds shall be provided. The Borrower and MPWT shall prepare annual road maintenance plans prepared

throughout Project period and after the Project is completed based on the agreed maintenance standards, traffic volume and assessment of needs.

Governance and Anticorruption Measures

7. Within 9 months after the Effective Date, MPWT shall create a Project website to disclose information about various matters on the Project, including procurement. With regard to procurement, the website shall include 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/services procured.

8. Within 9 months after the Effective Date, MPWT shall prepare a grievance redress mechanisms, acceptable to ADB, and establish a task force at the DGPW to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances due to resettlement and environmental issues. The task force shall (i) make public the existence of this grievance redress mechanisms, through a public awareness campaign; (ii) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (iii) proactively and constructively respond to them.

9. The Borrower and MPWT shall sign and implement the Good Governance Framework. With respect to the several requirements under the Good Governance Framework that are similar to the requirements stated in paragraphs 7 and 8 of this Schedule 5 to this Loan Agreement, such as the requirements to establish a project website and grievance redress mechanisms, the Borrower and MPWT shall only establish one Project website and one grievance redress mechanisms to meet the conditions under the Good Governance Framework and this Loan Agreement. MPWT shall consult with both ADB and IDA to ensure that the project website and the grievance redress mechanisms are acceptable to both ADB and IDA.

Labor Issues

10. The Borrower and MPWT shall ensure that civil works contractors engaged under the Project (i) provide for equal pay to men and women for equal work and make prompt payment of wages; (ii) provide safe working conditions and water and sanitation facilities for male and female workers; (iii) do not violate any prohibitions against child labor under the Borrower's laws and international treaty obligations; and (iv) require the contractor to include information on the risk of transmission of sexually-transmitted diseases, including HIV/AIDS, in health and safety programs for all construction workers employed under the Project. Specific provisions to this effect shall be included in bidding documents and civil works contracts, and compliance shall be monitored by MPWT.

Environment

11. The Borrower and MPWT shall ensure that the Project shall be carried out in accordance with the IEE and the EMP prepared under the IEE, and shall comply with the Borrower's environmental laws and regulations and ADB's *Environment Policy* (2002). If there is any discrepancy between the Borrower's laws and regulations, and ADB's

environment policy, the ADB's policy shall prevail. The Borrower shall implement the environmental mitigation and management measures, and other recommendations specified in the EMP to minimize any adverse environmental impacts arising from the implementation of the Project. MPWT shall be responsible for the implementation of the EMP and shall be responsible for the monitoring during resurfacing of the pavements, associated pavement works such as edge repair, line marking and repair and surfacing of shoulders and during the operation phases. MPWT shall monitor the contractor's compliance with the provisions of the EMP. The Borrower shall ensure that the portion of the Project that is to be funded by other co financiers shall adopt the provisions of the IEE and EMP.

Protected and Sensitive Areas

12. When Project roads pass through or near protected or sensitive areas (nature reserves parks, conservation areas, biodiversity reserves, cultural and historical sites, etc.), the Borrower shall ensure cooperation between MPWT and the area authority responsible for preparing and implementing the protective measure. The measures may include any combination of area demarcation, fencing, checkpoints, speed bumps, wildlife passage zones, patrols, or other measures to preserve the integrity of the area from encroachment or environmental degradation due to road improvement and increased access.

Involuntary Resettlement

13. The Borrower and MPWT shall ensure that the Project shall not involve or implement any works that will require involuntary resettlement according to ADB's *Policy on Involuntary Resettlement* (1995). The Project shall only involve resurfacing of the pavements, associated pavement works such as edge repair, line marking and repair and surfacing of shoulders of existing roads. All of the periodic maintenance work to be undertaken under the Project shall not involve any widening, heightening or realignment of the roads.

AusAID Cofinancing

14. In the event the funding from AusAID cannot be obtained, the portions of the funding thereof shall not be financed under the Project. The Borrower may make alternative arrangements, satisfactory to ADB, necessary to cover the funding shortfall.