
GRANT NUMBER 0106-NEP(SF)

GRANT AGREEMENT
(Special Operations)

(Information and Communication Technology Development Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 23 MAY 2008

GAS:NEP 38347

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 23 May 2008 between NEPAL (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) "Chief Project Director" means the chief director responsible for the overall Project implementation as described in paragraph 2 of Schedule 4 to this Grant Agreement;

(b) "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;

(c) "district" means an administrative unit of the Recipient;

(d) "e-Government" means the Recipient's use of ICT to improve its delivery of Recipient's services to citizens;

(e) "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;

(f) "Government" means the Government of the Recipient;

- (g) "HLCIT" means the High Level Commission for Information Technology;
- (h) "IA" means implementation agency as described in paragraph 3 of Schedule 4 to this Agreement;
- (i) "ICT" means information and communications technology;
- (j) "IEE" means the initial environmental examination dated September 2007;
- (k) "ISP" means Internet service providers;
- (l) "MOEST" means the Ministry of Environment, Science and Technology of the Recipient or any successor thereto;
- (m) "MOF" means the Ministry of Finance of the Recipient or any other successor thereto;
- (n) "MOGA" means the Ministry of General Administration of the Recipient or any successor thereto;
- (o) "MOH" means the Ministry of Home of the Recipient or any successor thereto;
- (p) "MOIC" means the Ministry of Information and Communications of the Recipient or any other successor thereto;
- (q) "MOLRM" means the Ministry of Land Reforms and Management of the Recipient or any successor thereto;
- (r) "MOLTM" means the Ministry of Labor and Transport Management of the Recipient or any successor thereto;
- (s) "NITC" means National Information Technology Center;
- (t) "OPMCM" means the Office of the Prime Minister and Council of Ministers;
- (u) "PIU" means Project Implementation Unit as described in paragraph 3 of Schedule 4 to this Grant Agreement;
- (v) "PMU" means Project Management Unit as described in paragraph 2 of Schedule 4 to this Grant Agreement;
- (w) "PPMS" means the Project Performance Monitoring System to be established in accordance with paragraph 19 of the Schedule to the Project Agreement;
- (x) "Procurement Guidelines" means ADB's Procurement Guidelines dated February 2007, as amended from time to time;

(y) "Procurement Plan" means the procurement plan for the Project dated 7 December 2007 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;

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

(aa) "Project facilities" means the facilities and equipment to be provided under the Project;

(bb) "PS Commission" means the Public Service Commission or any successor thereto;

(cc) "PSC" means Project Steering Committee as described in paragraph 5 of Schedule 4 to this Grant Agreement;

(dd) "RRP" means the Report and Recommendation of the President to the Board of Directors of ADB for the Project;

(ee) "Telecenter" means a public place where people can access computers, the Internet, and other technologies that help them gather information and communication with others at the same time as they develop digital skills;

(ff) "VDC" means Village Development Committee;

(gg) "VOIP" means Voice Over Internet Protocol; and

(hh) "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 and human resource development.

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 Agreement an amount of twenty-five million Dollars (\$ 25,000,000).

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 and consulting services and other items 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 and consulting services 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 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 December 2014 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 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 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. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Recipient shall have completed its internal clearance procedure and shall have submitted the new draft Telecommunication Act to its Cabinet for approval.

Section 5.02. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
Singha Durbar
Kathmandu, Nepal

Facsimile Number:

977-1- 4211165.

For ADB

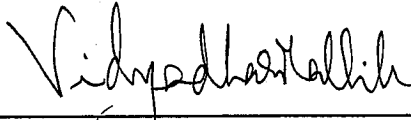
Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2340.

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.

NEPAL

By 

VIDYADHAR MALLIK
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

PAUL J. HEYTENS
Country Director
Nepal Resident Mission

SCHEDULE 1

Description of the Project

1. Impact and Outcome

The impact of the Project is to promote socioeconomic improvements of remote and rural communities through ICT and ICT uptake improvements of the country. The outcome of the Project is to (i) make ICT more accessible, affordable, inclusive, sustainable, and useful to remote and rural communities; (ii) make public services more citizen-centric and business-friendly through ICT; (iii) improve accessibility, efficiency, and transparency in Government service delivery with the application of ICT; and (iv) enhance ICT business and industry.

2. The Project comprises the following Parts:

PART 1: RURAL E-COMMUNITY

Modernization of rural communities, particularly remote areas, by improving rural connectivity using the wireless broadband networks in various districts; mobilize community socioeconomic activities using a village network portal; and building Telecenters to improve service access in remote rural areas through the following:

A. Wireless Broadband Network

- (i) Provide wireless broadband networks in about 38 districts in a phased manner with pilot testing in 3 districts selected from hill, mountain and Terai districts; develop a model for network ownership and operation, focusing on involving small local enterprises; and
- (ii) enhance the financial viability of wireless broadband network by liberalizing VOIP.

B. Village Networks

- (i) Build village networks in about 11 districts of Nepal which will be owned by VDC;
- (ii) develop a village network portal in Nepali, local and English languages; and
- (iii) establish functionalities of a village network.

C. Telecenters

Establish about 114 Telecenters in about 38 districts to be linked to operation of rural wireless broadband network.

D. Community Mobilization and Capacity Development

- (i) Support community mobilization activities in cooperation with various non-governmental organizations and community-based organization, as well as VDCs;
- (ii) identify detailed training needs for rural communities; and

- (iii) provide capacity development programs using private training institutes.

PART 2: GOVERNMENT NETWORK

Establishment of the Government's ICT Network through the following:

A. Government Information and Data Center

Establish a Government Information Data Center to facilitate its e-Government applications and support digitization efforts for enhanced service delivery and modernization at the central level.

B. Government Groupware

Develop a range of groupware applications in the form of a single integrated web service with open standards for all ministries and departments and implement the groupware in selected departments and ministries in selected locations, in a phased manner.

PART 3: e-GOVERNMENT APPLICATIONS

Development of selected priority e-Government applications, to include:

- (i) the enterprise architecture and standards to develop a common Government enterprise architecture based on open standard supporting interoperability standards, develop application solutions, quality assurance, and testing according to the predefined interoperability standards, develop e-Government operation policy and guidelines, and map migration of legacy systems to new architecture;
- (ii) a database for national identification system facilitating delivery of public services;
- (iii) e-Governance in the PS Commission to design and implement a new web-based public service recruitment management system with the integration into a national citizen database;
- (iv) e-Governance application for land records management to improve land record management and service delivery to citizens and to introduce user-friendly applications for accessing and updating land records documents; and
- (v) an application to introduce an online vehicle registration and driving licenses and renewal process.

PART 4: HUMAN RESOURCE DEVELOPMENT FOR E-GOVERNANCE

- (i) Build awareness, knowledge and skills of the key stakeholders in e-Governance;
- (ii) establish computer laboratories for capacity development of institutions promoting ICT human resource development and strengthen networking between training institutions and support for functional linkages;

- (iii) revise existing training curriculum and develop new curricula for public training institutions aiming at improving the quality of training curriculum and materials in e-Governance and enhance cost effectiveness of training programs by developing quality training materials;
- (iv) share knowledge and experiences to promote e-Governance and applications through exchange and fellowship programs; and
- (v) support development of e-Governance courses and develop new curriculum and teaching materials in e-Governance in association with universities and research institutes.

3. The Project is expected to be completed by 30 June 2014.

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 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 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 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, 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 commercial bank acceptable to ADB for Part 4. 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 Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Part 4 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. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$3,000.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Information and Communication Technology Development Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated		Percentage and Basis for Withdrawal from the Grant Account
		Category	\$ Subcategory	
1	Works	22,600,000		
1A	Rural e-Community		7,900,000	89 percent of total expenditure
1B	Government Network		3,700,000	83 percent of total expenditure
1C	E-Government Applications		11,000,000	86 percent of total expenditure
2	Human Resource Development	1,500,000		100 percent of total expenditure*
3	Consulting Services	700,000		100 percent of total expenditure*
4	Unallocated	200,000		
	Total	25,000,000		

* Exclusive of taxes and duties imposed within the territory of the Recipient

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 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 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

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. Domestic Preference. The Recipient 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 Works.
5. National Competitive Bidding (NCB). No NCB procurement may be undertaken unless ADB and the Recipient have agreed in writing to any necessary modifications or clarifications to the Recipient's NCB procedures for the purposes of this Project - in particular the Recipient's Procurement Act, 2007 and Procurement Regulation, 2007- to ensure consistency with ADB's procurement Guidelines. Any such modification or clarifications shall be subsequently reflected in the Procurement Plan and are hereby incorporated by reference to this Grant Agreement.

C. Conditions for Award of Contract

6. The Recipient shall not award any Works contracts financed under the Grant until ADB's prior review and approval of the Resettlement Plan(s), in case of any unanticipated, unforeseen involuntary resettlement, land acquisition or resettlement activities.

D. Selection of Consulting Services

7. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, the Recipient shall apply quality- and cost-based selection for selecting and engaging consulting services.

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 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

Implementation Arrangements

1. As the EA, OPMCM shall be responsible for overall implementation and coordination of the Project.

Project Management Unit

2. Within one month of the Effective Date, the PMU shall be established under the EA and shall comprise at least a Chief Project Director, a Project Director who shall be the joint secretary from OPMCM to be responsible for administrative aspects and another Project Director who shall be the Executive Director of the NITC, to be responsible for technical aspects, and a treasurer. The Chief Project Director shall have overall responsibility for Project management. The PMU shall be supported by Project management consultants who shall provide technical inputs for appropriate supervision of Project implementation.

Implementing Agencies

3. Parts of the Project shall be implemented by respective IAs:

- (i) MOIC shall be the IA for Part 1;
- (ii) MOEST shall be the IA for Part 2;
- (iii) HLCIT shall be the IA for Part 3 (i);
- (iv) MOH shall be the IA for Part 3 (ii);
- (v) PS Commission shall be the IA for Part 3 (iii);
- (vi) MOLRM shall be the IA for Part 3 (iv);
- (vii) MOLTM shall be the IA for Part 3 (v); and
- (viii) MOGA for Part 4.

Project Implementation Unit

4. Within one month of the Effective Date, the Recipient shall cause the following PIUs to be established by the following Ministries as below:

- (i) MOEST shall designate NITC as PIU for Part 2;
- (ii) MOLRM shall designate the Department of Land Reforms and Management as a PIU for Part 3 (iv); and
- (iii) MOLTM shall designate the Department of Transport as PIU for Part 3 (v).

5. For other Parts of the Project, the respective IA shall establish a PIU headed by a Project Manager. The PIU shall (i) coordinate with the contractors and monitor the progress of day-to-day management and implementation; (ii) prepare withdrawals applications to submit to the PMU under the EA for endorsement; (iii) prepare monthly progress reports to submit to the PMU under the EA; (iv) be responsible for procurement; and (v) maintain Project accounts and prepare the annual reports.

Project Steering Committee (PSC)

6. Within one month of the Effective Date, the Recipient shall cause the PSC to be established to provide overall supervision on Project implementation and coordinate issues related to Project implementation. The PSC shall be chaired by the Chief Secretary, shall have the Chief Project Director acting as a vice Chairman and the Executive Director of NITC as a secretary. The PSC shall comprise the Secretary of MOIC and MOEST in addition to the member Secretary of HLCIT. The PSC shall meet on a regular basis, at least twice a year, or more as necessary. The PSC shall set the direction for overall Project implementation, provide guidance to the PMU on specific Project implementation issues and resolve any controversies between PIUs.

Wireless broadband network

7. The Recipient shall cause the EA to build the wireless broadband network in a phased manner over the Project implementation period. During the first year of implementation, the network shall be pilot tested in three selected districts to establish its ownership and operation modality. During the second year of Project implementation, the pilot testing shall be expanded to 10 more districts. During the third year of Project implementation, the network shall be expanded to 25 districts, applying established ownership and operation modality. Each phase network shall be extended to further remote areas one year after its operation.

Telecenters

8. The Recipient shall cause the EA to build and operate the Telecenters in step with the wireless broadband network expansion over a period of four years after the Effective Date.

Government network

9. The Recipient shall develop, install, test and commission the Government's network, e-Government applications, and human resource development Parts in three years after the award of contracts.

Counterpart Funding

10. The Recipient shall ensure that, throughout implementation of the Project, adequate budgetary allocations for the required counterpart funds are made, approved, and released in a timely manner to ensure efficient and timely implementation of the Project.

Security

11. The Recipient shall make its best effort to provide adequate security for the smooth and uninterrupted implementation of the Project.

VOIP Service Provision

12. The Recipient shall fully liberalize VOIP service on a district-by-district basis following the spread of the wireless broadband networks of the Project so that rural ISPs in concerned districts can interconnect with telephones and cellular mobile services of the incumbent operator to promote implementation of broadband internet which offers multiple service integration through a single network.

e-Government Operation Policies and Guidelines

13. The Recipient shall prepare and issue the e-Government operation policies and guidelines for the common enterprise architecture to be developed under the Project and to be adopted as the Recipient's standards for e-Government applications. Within six months after awarding the contract for development of enterprise architecture application, the e-Government developed under the Project shall be followed for further development of e-Government applications for establishing the interoperability among Recipient's ICT systems.

Land Acquisition and Resettlement

14. The Recipient shall ensure that the equipment for wireless broadband network is co-located with Nepal Telecoms' tower facilities whenever required, and that Telecenters are housed on the existing land of the Recipient. In the event of (i) any unanticipated or unforeseen involuntary resettlement, (ii) land acquisition; and (iii) resettlement activities during Project implementation, the Recipient shall ensure that the Project is implemented in accordance with ADB's *Involuntary Resettlement Policy* (1995) and in accordance with all applicable laws and regulations of the Recipient.

Environmental Protection

15. The Recipient shall ensure that any unexpected negative environmental impact is addressed in accordance with ADB's environmental requirements. The Recipient shall ensure that the construction of the data center is carried out by taking into account the recommendations from the IEE and by strictly following the conditions attached in the building permit. The Recipient shall ensure that the Project is implemented in compliance with ADB's *Environment Policy* (2002), and the Recipient's *Environment Protection Act*, (1997) and the *Environment Protection Regulation* (1998).

Labor Laws

16. The Recipient shall ensure that all Works, system development and installation contractors (i) comply with all applicable labor laws of the Recipient; (ii) do not employ child labor for construction and maintenance activities; (iii) do not differentiate wages between men and women particularly for work of equal value; (iv) encourage employment of the local poor who meet the job and efficiency requirements, particularly women, *dalits*, indigenous/ ethnic communities and other disadvantaged groups; and (v) provide timely payment of wages on at least a monthly basis and safe working conditions to all workers. All civil works contracts shall include specific clauses on these undertakings.

Good Governance and Anticorruption

17. Consistent with ADB's and with the Recipient's commitment to good governance, accountability and transparency, the Recipient shall ensure that the Project funds are utilized effectively and efficiently to implement the Project and to achieve the Project objectives. The Recipient shall (i) undertake necessary measures to create and sustain a corruption-free environment; (ii) ensure that the Recipient's Anticorruption Law and *ADB's Anticorruption Policy* (1998, as amended to date), are strictly enforced and are being complied with during Project implementation, and that relevant provisions of *ADB's Anticorruption Policy* are included in all bidding documents for the Project; (iii) facilitate in ADB's exercise of its right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; (iv) conduct periodic inspections on the Project contractor's activities related to fund withdrawals and settlements; and (v) ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine Project related the records and accounts of the EA and all contractors, suppliers, consultants and other service providers. The Recipient shall cooperate with any audit and investigation and extend necessary assistance, including access to all relevant books and records, as well as engagement of independent auditors and experts that may be needed for satisfactory completion of such audits and investigations.

Project Implementation Reporting

18. The Recipient shall cause OPMCM to submit to ADB (i) a monthly progress report, (ii) a summary for monthly progress review meeting with IAs and contractors concerned, and (iii) a quarterly Project progress report and quarterly Project performance monitoring and evaluation report.

Project Performance Monitoring System

19. Within three months of the Effective Date, the Recipient shall cause the PMU to establish a PPMS in a manner acceptable to ADB.

Project Review

20. The Recipient shall carry joint review missions with ADB on a semi-annual basis. On the third year of Project implementation, the Recipient and ADB shall carry a joint mid-term review of the Project to (i) review progress, Project implementation schedule, implementation arrangements, and compliance with the terms of the Grant Agreement; and (ii) identify any necessary changes in the Project design. Within three months of the end of Project implementation, the Recipient and ADB shall carry a joint comprehensive Project completion review.