
GRANT NUMBER 0175-SOL(SF)

GRANT AGREEMENT
(Special Operations)

Second Road Improvement (Sector) Project

between

SOLOMON ISLANDS

and

ASIAN DEVELOPMENT BANK

DATED 1 DECEMBER 2009

GAS:SOL 43381

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 1 December 2009 between SOLOMON ISLANDS (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) the Recipient has also applied to the European Commission (EC) for a grant (the "EC Grant") for the purpose of partially financing road rehabilitation as described in component A of Schedule 1 to this Grant Agreement;

(C) the Recipient has also applied to the Government of the Commonwealth of Australia for a grant (the "Australia Grant") for the purpose of partially financing road rehabilitation, road maintenance, and project management and capacity building as described in components A, B and C of Schedule 1 to this Grant Agreement; and

(D) 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 Borrowers dated February 2007, as amended from time to time;

(b) "EARP" means the environmental assessment and review procedures prepared for the Project and endorsed by the Recipient;

(c) "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;

(d) "IEE" means an initial environmental examination prepared specifically for a particular Subproject;

(e) "MECM" means the Ministry of Environment, Conservation and Meteorology of the Recipient and any successor thereto;

(f) "Medium Term Development Strategy" means the Strategy developed by the Government of the Solomon Islands, 2008 – 2010 with its listed priority areas for development;

(g) "MID" means the Ministry of Infrastructure Development of the Recipient and any successor thereto;

(h) "National Transport Plan" means the nationwide road sector development policy of the Recipient endorsed by the Transport Task Force on 13 June 2006;

(i) "PMU" means the Project Management Unit to be established within MID;

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

(k) "Procurement Plan" means the procurement plan for the Project dated 4 September 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;

(l) "Project area" means the provinces of Choiseul, Isabel, Western, Rennell and Bellona, Makira, Central, Temotu, Guadalcanal and Malaita;

(m) "Project Executing Agency" for the purposes of, and within the meaning of, the Grant Regulations means MID or any successor thereto, which is responsible for the carrying out of the Project;

(n) "Project facilities" means the Project roads, bridges and water crossings to be rehabilitated or restored under the Project;

(o) "PSC" means Project Steering Committee as described in paragraph 2 of Schedule 4 to this Grant Agreement;

(p) "Resettlement Framework" means the resettlement framework prepared for the Project and endorsed by the Recipient;

(q) "Resettlement Plan" means any of the resettlement plans prepared specifically for the Subprojects and endorsed by the Recipient from time to time;

(r) "Subproject" means any subproject meeting the criteria set forth in Schedule 4 hereof and included in the Project for financing out of the proceeds of the Grant; and

(s) "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 Agreement an amount not exceeding fifteen million Dollars (\$15,000,000) (hereinafter called the "Grant").

Section 2.02. Unless the context requires otherwise, the terms and conditions applicable to the Grant hereunder or pursuant to the Grant regulations or by virtue of ADB's operational procedures and policies, are hereby made applicable, *mutatis mutandis*, to the EC Grant and the Australia Grant with the same force and effect.

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 and 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 March 2012 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), 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) hereof above, 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.

Section 4.04. The Recipient shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, engineering, environmental, and maintenance and operational practices.

ARTICLE V

Suspension and Cancellation

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations or cancellation of the Grant pursuant to Section 8.02 of the Grant Regulations:

- (a) the EC Grant shall have become liable for suspension or cancellation; or
- (b) the Australia Grant shall have become liable for suspension or cancellation.

ARTICLE VI

Effectiveness

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

- (a) the Recipient shall have obtained the approval of the EC Grant or shall have made other arrangements, satisfactory to ADB, to commit the provision of the foreign-currency funds intended to be provided by the EC; and
- (b) the Recipient shall have obtained the approval of the Australia Grant or shall have made other arrangements, satisfactory to ADB, to commit the provision of the foreign-currency funds intended to be provided by the Australia Grant.

Section 6.02. 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 VII

Miscellaneous

Section 7.01. The Permanent Secretary of the Ministry of Finance and Treasury of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Permanent Secretary
Ministry of Finance and Treasury
P.O. Box 26
Honiara, Solomon Islands

Facsimile Number:

(677) 28619

For ADB

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

Facsimile Numbers:

(632) 636-2444

(632) 636-2445

With a copy to:

Asian Development Bank
Pacific Liaison and Coordination Office
One Margaret Street
Sydney 2000, Australia

Facsimile Number:

(612) 8270-9445

SCHEDULE 1

Description of the Project

Impact and Outcome

1. The impacts of the Project include increased economic growth and social development in the Project area. Through rehabilitation of, or providing new, road networks, the Project will: (i) reduce susceptibility to closures from natural hazards, (ii) reduce transport costs and increase reliability and safety, (iii) foster market access and facilitate domestic and international trade, (iv) generate income and employment opportunities, and (v) improve access to public and social services.

Components

2. The Project has the following components:

A. Road Rehabilitation

This component will finance (i) road and bridge rehabilitation, (ii) permanent repairs and watercourse crossing upgrading to roads damaged in a 2009 flood, and (iii) road relocation for climate change adaptation. This will include a total of about 30 water crossings (bridges, culverts and wet crossings) and include the reconstruction of about 20 kilometers of associated bridge approaches and road relocation, of which about 50% will be sealed roads. Climate change adaptation measures will be incorporated into the Subproject designs.

B. Road Maintenance

This component will address annual maintenance of rehabilitated road sections executed through private sector national contracts using labor-based equipment support techniques involving local communities.

C. Project Management and Capacity Building

This component will support Project management, implementation supervision and capacity building through a PMU that will plan, assess, design, manage and implement the Project. The PMU will also provide the advisory assistance necessary for component B.

3. The Project is expected to be physically completed by 30 September 2011.

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.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Second Road Improvement (Sector) Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Works	11,490,000		
1A	Road Rehabilitation		10,260,000	100 percent of total expenditure*
1B	Labor-based Equipment-supported Maintenance		480,000	100 percent of total expenditure*
1C	Road Maintenance		750,000	100 percent of total expenditure*
2	Consulting Services	950,000		
2A	Design and Supervision		460,000	100 percent of total expenditure*
2B	Project Management		200,000	100 percent of total expenditure*
2C	Capacity Building		290,000	100 percent of total expenditure*
3	Unallocated	2,560,000		
	Total	15,000,000		

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

SCHEDULE 3

Provisions on 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/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
Community Participation in Procurement

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. 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.

6. Community Participation in Procurement. The Recipient may use community participation in procurement for Works contracts for labor-based equipment-supported routine road maintenance in accordance with the agreed procedures set out in the Procurement Plan.

C. Conditions for Award of Contract

7. The Recipient shall not award any Works contracts for an approved Subproject financed under the Grant until:

- (a) approval by ADB of the IEE for the approved Subproject; and
- (b) approval by ADB of a detailed feasibility study and design for the approved Subproject.

D. Selection of Consulting Services

8. Quality- and Cost-Based Selection. 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.

9. The Recipient shall apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Single Source Selection for HIV/AIDS education awareness campaign.
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E. Industrial or Intellectual Property Rights

10. (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.

11. 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

12. 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; Subproject Selection; Other Matters

I. IMPLEMENTATION ARRANGEMENTS

Executing Agency

1. MID, as the Project Executing Agency, shall be responsible for overall execution and coordination of the Project.

Project Implementation

2. The current PSC shall be responsible for guiding and monitoring all aspects of Project implementation, including (i) policy and coordination, (ii) Subproject feasibility study and selection, (iii) Project progress reports and other Project documentation, (iv) annual reports on road maintenance budgets and activities, and (v) submission of audited accounts and financial statements.

3. A PMU will be established in MID to coordinate and implement the Project. The Permanent Secretary of MID will be responsible for overall management of the Project. The Permanent Secretary will assign a project coordinator to act as a liaison between the Permanent Secretary and the PMU in Project implementation. A professionally qualified civil engineer will oversee the PMU and be responsible for Project management and day-to-day implementation of Project activities, supported by technical and financial specialists, including administrative and accounting staff.

4. The PMU shall (i) conduct Subproject feasibility studies, (ii) manage the bidding process, (iii) manage contracts, (iv) prepare withdrawal applications, (v) prepare Project reports, (vi) maintain separate Project accounts and financial records, (vii) monitor the Project's socioeconomic impacts, (viii) train MID staff and build their Project implementation capacity, and (ix) complete related Project management activities necessary to implement the Project and comply with ADB policies and guidelines.

II. PROJECT COVENANTS

Subproject Selection

5. Prior to the detailed design of any proposed Subproject, the Recipient shall have obtained ADB's prior concurrence on the inclusion of such Subproject for financing under the Grant, based on the appraisal and selection criteria as described in this Schedule. Subprojects shall meet the following general eligibility criteria:

- (i) Each proposed Subproject shall upgrade or rehabilitate roads of high development priority, assessed from their contribution to the objectives of the Medium Term Development Strategy and the National Transport Plan, including in particular: (a) improved accessibility to social services among poor and rural households, including schools, health facilities, and

government extension services; (b) increased opportunities for employment and income generation among poor and rural households; (c) potential for increased private sector participation in provincial and national economic activities; (d) potential to catalyze development in remote areas with poor access; and (e) contribution to poverty reduction among poor and rural households.

- (ii) Each proposed Subproject shall be located within the Project area, shall not have significant adverse environmental impact, and shall not require land acquisition or resettlement.
- (iii) Each proposed Subproject shall have been endorsed by the Recipient through its inclusion and prioritization in the National Transport Plan.

6. Environmental screening shall be conducted for all proposed Subprojects. No Subproject classified as Category A in accordance with ADB's *Environmental Assessment Guidelines* (2003) will be eligible for funding as a Subproject. No Subproject will be eligible for funding if any of the following criteria are present: (i) roads in or adjacent to the proposed Subproject area are classified as ecologically sensitive; (ii) it requires major re-alignment of the existing road; (iii) there will be a significant loss of natural/primary forest; (iv) there will be significant loss or damage to near-shore marine environments, such as reefs, mangroves or other sensitive coastal areas; (v) there will be a permanent negative effect on a known rare or endangered species; or (vi) there will be permanent damage to irreplaceable cultural relics or archeological sites.

7. Each proposed Subproject shall be economically viable and shall have demonstrated an economic internal rate of return acceptable to ADB. An economic analysis shall have been conducted in accordance with ADB's *Guidelines for the Economic Analysis of Projects*. In addition to the standard parameters of road sector analysis (including traffic forecasts based on forecast economic growth and income elasticity of travel demand in the Project area, and use of appropriate shadow pricing and conversion factors for economic benefits), the proposed Subproject shall have been assessed on quantitative grounds for its contribution to: (i) potential for increased agricultural production due to lower freight costs and more reliable access; (ii) employment of local communities and contractors for maintenance and small scale works; and (iii) increased incomes, particularly among poor and rural households.

8. Each Subproject assessment shall include: (i) a technical feasibility assessment; (ii) an economic impact analysis; (iii) a social and poverty analysis; (iv) an IEE; and (v) an IEE and environmental management plan in accordance with acceptable environmental assessment and review procedure processes.

Financing of Road Network Maintenance

9. The Recipient shall allocate and make available on a timely basis sufficient funds for the rehabilitation and maintenance of the Project facilities.

Land Acquisition and Resettlement

10. All proposed Subprojects will be screened for land acquisition or resettlement impacts and no Subproject shall be approved if it requires involuntary resettlement under ADB's *Involuntary Resettlement Policy* (1995).

11. The Recipient shall ensure that no land acquisition and resettlement is required for the Project and that all Project facilities remain within existing rights-of-way. In the event of any unforeseen land acquisition or resettlement needs, the Recipient shall inform ADB and prepare a Resettlement Plan according to relevant laws and regulations; ADB's *Involuntary Resettlement Policy* (1995); and the Resettlement Framework. The PMU shall ensure that no Project/Subproject Works commence until ADB has reviewed and approved any such Resettlement Plan.

12. The Recipient shall ensure that consultation and disclosure shall be implemented during the Project through: (i) a Project communications plan acceptable to ADB; (ii) disclosure of a summary Resettlement Plan to affected persons; (iii) preparation and dissemination of a brochure in English, Pidgin and other relevant languages explaining the Project, works required and anticipated timing of the works; and (iv) establishing a formal grievance redress committee with representation of affected persons. The Works contractor(s) shall be responsible for managing the grievance redress program. Information regarding an approved Subproject and the proposed environmental management measures shall be posted at suitable locations at Subproject sites and accessible to interested persons and the general public.

Environment

13. The Recipient shall ensure that no Subproject assessed as Category A (significant adverse impact) is approved under the Project. The Recipient, through the PMU, shall ensure that (i) the IEE and preliminary environmental management plan are reviewed and updated at the engineering design stage; (ii) each proposed subproject complies with the environmental management plan reflected in the updated IEE, all applicable national environmental laws, regulations, and guidelines, and ADB's *Environment Policy* (2002); (iii) the environmental management plan is included in bidding documents and Works contracts; (iv) any adverse environmental impacts arising from the Project are minimized by implementing the agreed mitigating measures; (v) environmental monitoring is done by the PMU and the contractors; and (vi) the required EARP are implemented.

14. The Recipient's MECM shall take steps to expedite processing of the Guadalcanal Subproject, for which an IEE has been lodged, and for all subsequent Subprojects. Further, MECM shall identify a single point of contact within its Environment Unit with responsibility for the Project.

Gender and Employment

15. The Recipient, through MID, shall (i) require that at least 20% of road maintenance Works contractors are female; (ii) require Project Works contractors to employ a minimum of 33% women in road rehabilitation and labor-intensive maintenance of selected national roads; (iii) provide equal pay to men and women for work of equal type, in accordance with national laws and international treaty obligations and to pay women's wages directly to them; (iv) provide safe working conditions for male and female workers; and (v) ensure that

Project contractors comply with applicable labor laws, and abstain from child labor. Specific provisions to this effect will be included in the bidding documents. The PMU shall be responsible for monitoring the employment targets for women by reviewing periodically the payroll statements of Works contractors, and shall reflect progress in achieving the employment targets for women in the Project progress reports and Project completion report.

Health Risks

16. The Recipient, through MID, shall ensure that all Project Works contractors engaged under the Project participate in an HIV/AIDS prevention program to be funded under the Project in construction campsites. In addition, the PMU shall ensure that similar information on the risk of transmission of HIV/AIDS and other sexually transmitted diseases is disseminated to local communities in the corridor of Project influence, in coordination with national agencies working on this issue. The PMU shall include specific provisions to this effect in bidding documents and Works contracts, and shall strictly monitor compliance.

Anticorruption Measures

17. The Recipient shall (i) undertake necessary measures to create and sustain a corruption-free environment; (ii) ensure that its anticorruption laws and regulations 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) ensure that MID conducts periodic inspections of the contractors' 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 the records and accounts of MID and all contractors, suppliers, consultants and other service providers as they relate to the Project.

18. The Recipient, through MID, shall publicly disclose on the Recipient's website the use of the Grant proceeds. For each procured contract, MID shall disclose on the website (i) a list of the participating bidders, (ii) name of the winning bidder, (iii) basic details on the bidding procedure adopted, (iv) amount of the awarded contract, (v) list of goods or services purchased, and (vi) intended and actual amount of the Grant proceeds under each contract. MID shall ensure that all consultants, contractors and staff connected with the Project are fully aware of and comply with the Recipient's and ADB's procedures, including those particularly addressed at implementation, procurement, use of consultants, disbursements, reporting and prevention of fraud and corruption.

19. The Recipient shall, through MID, establish a grievance and redress mechanism to (i) review and address grievances in relation to the Project, any of its service providers, or any person responsible for carrying out the Project; and (ii) establish threshold criteria and procedures, acceptable to ADB, for handling such grievances, for proactively addressing them and for providing complainants with notice of the chosen mechanism or action.

Project Performance Monitoring and Evaluation

20. Within six (6) months of the Effective Date, MID shall finalize and adopt a Project performance management system framework acceptable to ADB, based on indicators and procedures agreed between the Recipient and ADB. MID shall monitor the indicators according to the agreed framework on a quarterly basis to determine Project efficiency and effectiveness.

Reporting

21. The Recipient, through MID, shall ensure that the following reports are submitted to ADB: (i) quarterly progress reports on preconstruction activities and construction of civil works, including (a) physical and financial progress, (b) status of land acquisition and resettlement (if required), (c) environmental management, (d) institutional development and capacity building, (e) public communication campaigns, (f) Project performance indicators, and (g) other activities critical to Project implementation; (ii) annual reports on road maintenance budgets, activities, and expenditures; and (iii) within three (3) months of physical completion of the Project, a completion report describing implementation, costs and benefits, and other information as requested by ADB.

Regular and Midterm Reviews

22. Regular ADB review missions (approximately every six (6) months) and a midterm review about one (1) year after the Effective Date shall be undertaken jointly by ADB and the Recipient. The reviews shall evaluate in detail the scope, implementation arrangements, compliance with the Grant Agreement's covenants, institutional, administrative, organizational, technical, environmental, social, poverty reduction, resettlement, economic, financial, and other relevant aspects that may have an impact on the performance of the Project and its continuing viability and achievement of scheduled targets.