LOAN AGREEMENT
(Special Operations)
(Urban Transport Development Investment Program – Project 1)

between

MONGOLIA

and

ASIAN DEVELOPMENT BANK

DATED 5 MAY 2015

MON 39256
LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 5 May 2015 between MONGOLIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 23 August 2012 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Urban Transport Development Investment Program;

(B) by a periodic financing request dated 23 August 2012, the Borrower has applied to ADB for loans for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) by a separate agreement of even date herewith between the Borrower and ADB (the Ordinary Operations Loan Agreement), ADB has agreed to lend to the Borrower from its ordinary capital resources an amount of $29,700,000 ("OCR Loan") upon terms and conditions set forth therein;

(D) the Borrower has also applied to the Global Environment Facility Trust Fund ("GEF") for financial assistance for the Project, and GEF has approved provision of a grant to the Borrower in the amount not exceeding $1,500,000 ("Grant"), to be administered by ADB pursuant to its relevant cofinancing arrangements with GEF, and subject to the terms and conditions of an externally financed grant agreement of even date herewith between the Borrower and ADB ("Grant Agreement");

(E) the Project will be carried out by MUB, as hereinafter defined, and for this purpose the Borrower will make available to MUB the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(F) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein, in the Ordinary Operations Loan Agreement, and in the Project Agreement of even date herewith between ADB and MUB;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

(a) Section 2.01(25) is deleted and the following is substituted therefor:

“Project Agreement” means the Project Agreement of even date herewith between ADB and MUB, as such agreement may be amended from time to time;

(b) The term “Project Executing Agency” appearing in Section 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the term “MUB”.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(b) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 3 (v) of Schedule 1 to this Loan Agreement;

(c) “Environmental Assessment and Review Framework” or “EARF” means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(d) “Environmental Management Plan” or “EMP” means an environmental management plan for the Project, including any update thereto, incorporated in the IEE;

(e) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(f) “Facility” means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(g) “FAM” means the Facility administration manual dated 26 June 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(h) “FFA” means the framework financing agreement dated 23 August 2012 between ADB and the Borrower with respect to the Facility;

(i) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;
(j) "Initial Environmental Examination" or "IEE" means an initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(k) "Investment Program" means the Urban Transport Development Investment Program;

(l) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(m) "Loan Disbursement Handbook" means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(n) "MUB" means the Municipality of Ulaanbaatar or any successor that is acceptable to ADB;

(o) "PFR" means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 23 August 2012;

(p) "Procurement Guidelines" means ADB’s Procurement Guidelines (2010, as amended from time to time);

(q) "Procurement Plan" means the procurement plan for the Project dated 26 June 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(r) "Resettlement Framework" or "RF" means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(s) "Resettlement Plan" or "RP" means a resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;

(t) "Safeguard Policy Statement" or "SPS" means ADB’s Safeguard Policy Statement (2009);

(u) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, the EMP, and the RP, including any corrective and preventative actions;

(v) "Subsidiary Loan Agreement" means the agreement entered into between the Borrower and MUB for purposes of relending the proceeds of (a) this Loan as specified in Section 3.01 of this Loan Agreement, (b) the OCR Loan as specified in Section 3.01 of the Ordinary Operations Loan Agreement, and (c) the Grant as specified in Section 3.01 of the Grant Agreement, and
(w) “Works” means construction or civil works to be financed out of the proceeds of the Loan, 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 Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to nineteen million eight hundred nine thousand Special Drawing Rights (SDR19,809,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 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 subsection (a) hereinabove means the period prior to the first Principal 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 March and 15 September 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 amount 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 the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan to MUB under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB shall otherwise agree, the terms for relending the proceeds of the Loan shall include interest at the rate not exceeding 2.5% per annum (inclusive of foreign exchange risk) and a repayment period not exceeding 20 years including a grace period not exceeding 6 years.
(b) The Borrower shall cause the MUB to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement, the Ordinary Operations Loan Agreement, the Grant Agreement, and the Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn 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, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05 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 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 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 28 February 2018 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 the Project and operation of the Project-related facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and in the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.
Section 4.03. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes 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 the imprest account(s) and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable MUB to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Ordinary Operations Loan Agreement and the Grant Agreement shall have been duly authorized or ratified by, and duly executed and delivered on behalf of, the Borrower, and all conditions for their effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 5.02. The following is specified as an additional matter for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Ordinary Operations Loan Agreement and the Grant Agreement shall have been duly authorized or ratified by, and duly executed and delivered
on behalf of, the Borrower, and such shall have become legally binding upon and enforceable against the Borrower in accordance with their terms, subject only to the effectiveness of this Loan Agreement.

Section 5.03. A date 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 VI

Delegation of Authority

Section 6.01. The Borrower hereby designates MUB as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by MUB pursuant to the authority conferred under Section 6.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 6.03. The authority conferred on MUB under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of MOF 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 Finance
Government Building – 2/D
S. Danzan Street
Ulaanbaatar – 15160
Mongolia
Facsimile Number:

(976) 51-262272.

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2426.

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

MONGOLIA

By

ERDENEBAT JARGALTULGA
Minister of Finance

ASIAN DEVELOPMENT BANK

By

ROBERT M. SCHOLLHAMMER
Country Director
Mongolia Resident Mission
SCHEDULE 1

Description of the Project

1. The objective of the Investment Program is to provide efficient, safe, and affordable urban public transport services provided in Ulaanbaatar.

2. As a part of the Investment Program, the Project aims to (i) develop the bus rapid transit (BRT) system; (ii) apply traffic management measures to increase public transport traffic flow efficiency and safety; (iii) develop and implement parking, traffic, and travel demand management policies; (iv) develop an efficient and sustainable public transport system; and (v) improve the public transport management and quality of services.

3. The Project shall consist of the following components:

   (i) development of BRT infrastructure along the North-South corridor of Ulaanbaatar, including 7.7 km road improvement, expansion of the Peace Avenue bridge, and installation of 14 km electric trolley bus infrastructure (e.g., wires, cables and substations);

   (ii) development of sustainable, affordable, and efficient 14 km BRT system on the North-South corridor of Ulaanbaatar;

   (iii) installation of intelligent transport system component: bus management system;

   (iv) institutional capacity development in public transport and traffic management and safety; and

   (v) Consulting Services for detailed design, construction supervision, project management, implementation support and capacity development.

4. The Project is expected to be completed by 31 August 2017.
**SCHEDULE 2**

Amortization Schedule

*(Urban Transport Development Investment Program – Project 1)*

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<th>Payment of Principal</th>
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*(expressed in Special Drawing Rights)*
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<th>Date</th>
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**TOTAL**          **19,809,000**

*The arrangements for payment 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 items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest Charge

3. The amount allocated to Category 5 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 MUB, (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 allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the MUB, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with the procurement of the
Works, Goods, Consulting Services and project management activities, subject to a maximum amount equivalent to 20% of the Loan amount.

Condition for Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower (or its authorized government entity) and MUB, and is legally binding upon the parties thereto in accordance with its terms.
**TABLE**

**ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS**

(Urban Transport Development Investment Program – Project 1)

<table>
<thead>
<tr>
<th>Number</th>
<th>Category</th>
<th>Total Amount Allocated for ADB Financing (SDR)</th>
<th>Basis for Withdrawal from the Loan Account</th>
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<tr>
<td>1</td>
<td>Works</td>
<td>11,636,000</td>
<td>100% of total expenditure claimed*</td>
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<td>2</td>
<td>Goods</td>
<td>1,830,000</td>
<td>100% of total expenditure claimed*</td>
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<tr>
<td>3</td>
<td>Consulting Services</td>
<td>2,440,000</td>
<td>100% of total expenditure claimed*</td>
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<tr>
<td>4</td>
<td>Project Management Support</td>
<td>1,069,000</td>
<td>100% of total expenditure claimed*</td>
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<tr>
<td>5</td>
<td>Interest Charge</td>
<td>1,194,000</td>
<td>100% of amounts due</td>
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<tr>
<td>6</td>
<td>Unallocated</td>
<td>1,640,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>19,809,000</strong></td>
<td></td>
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</table>

* Exclusive of taxes and duties imposed within the territory of the Borrower.
SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

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:

   (a) International Competitive Bidding; and
   (b) National Competitive Bidding.

4. 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.

Domestic Preference

5. 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.

National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower’s national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Conditions for Award of Contract

7. The Borrower shall not award any Works contract which involves environmental impacts until the MUB has:

   (a) obtained the final approval of the IEE from the Ministry of Nature, Environment and Tourism; and
   (b) incorporated the relevant provisions from the EMP into the Works contract.
8. The Borrower shall not award any Works contract involving involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final RP based on the detailed design, and obtained ADB's clearance of such RP.

Consulting Services

9. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

10. The Borrower shall recruit the individual consultants for incremental project administration support activities in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

11. (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.

12. 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.

ADB’s Review of Procurement Decisions

13. 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

Implementation Arrangements

1. The Borrower and MUB shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Environment

2. The Borrower shall ensure or cause MUB to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project, comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Resettlement

3. The Borrower shall ensure or cause MUB to ensure that all land and all rights-of-way required for the Project, are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

4. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall ensure or cause MUB to ensure that no physical or economic displacement takes place in connection with the Project until:

   (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and

   (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

Indigenous Peoples

5. The Borrower shall ensure that the Project does not have any adverse impacts on the indigenous peoples, within the meaning of ADB’s Safeguard Policy Statement (2009). In the event that the Project does have such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with ADB’s Safeguard Policy Statement.
Human and Financial Resources to Implement Safeguards Requirements

6. The Borrower shall make available or cause MUB to make available necessary budgetary and human resources to fully implement the EMP and the RP.

7. The Borrower shall ensure or cause MUB to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

   (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, the EMP, and the RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;

   (b) make available a budget for all such environmental and social measures;

   (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, or the RP; and

   (d) fully reinstate pathways, other local infrastructure, and public facilities to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

8. The Borrower shall do the following or shall cause MUB to do the following:

   (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;

   (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, or the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective actions; and

   (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, or the RP promptly after becoming aware of the breach.

Prohibited List of Investments

9. The Borrower shall cause MUB to ensure that no Loan proceeds are used to finance any prohibited activity included in the list provided in Appendix 5 of the SPS.
Health and Labor Standards

10. The Borrower shall cause MUB to ensure that contractors engaged under the Project (i) comply with all applicable labor laws and core labor standards; (ii) use their best efforts to employ women and local people, including disadvantaged people; (iii) provide equal pay to men and women for work of equal type; (iv) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities for male and female workers at the Project site; (v) maximize female training and employment; (vi) conduct an information and education campaign on sexually transmitted diseases and HIV/AIDS for construction workers as part of the health and safety program during Project implementation; and (vii) abstain from child labor. Relevant contracts financed under the Project must include specific clauses on these undertakings.

Gender and Development

11. The Borrower shall cause MUB to ensure that the gender action plan agreed with ADB is implemented in a timely manner over the Project period, and that adequate resources are allocated for this purpose. Specific gender-related activities undertaken during Project implementation shall be reported in the Safeguards Monitoring Report.

Counterpart Support

12. The Borrower shall ensure that the counterpart funding required for successful Project implementation is timely allocated and provided. The Borrower shall cause MUB to adequately staff and equip a Project implementation unit in a manner acceptable to ADB.

Governance and Corruption

13. The Borrower and MUB shall (i) comply with ADB’s Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

14. The Borrower and MUB shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Operational Covenants

15. The Borrower shall ensure and cause MUB to ensure, that (i) the BRT facilities financed under the Loan conform to the universal design standard and are constructed in accordance with the technical specifications of the design, construction specifications and other documents stipulated in the bidding documents; and (ii) construction supervision, quality control and contract management are performed in accordance with internationally acceptable standards.
16. The Borrower shall ensure that ADB’s consent is obtained at least 6 months prior to the implementation of any of the following: (i) any change in ownership of the BRT facilities; (ii) any sale, transfer, or assignment of interest or control in the BRT facilities; or (iii) any modification of the functions and authority of MUB over operation and maintenance of the BRT facilities. The Borrower shall ensure that any such changes are carried out in a legal and transparent manner.

17. The Borrower shall ensure that relevant traffic regulations are amended in a manner consistent with international best practices concerning the use of BRT system, dedicated bus lanes and related transport facilities prior to completion of the Project.