
GRANT NUMBER 0438-RMI (SF)

GRANT AGREEMENT
(Special Operations)
(Ebeye Water Supply and Sanitation Project)

between

REPUBLIC OF MARSHALL ISLANDS

and

ASIAN DEVELOPMENT BANK

DATED 13 OCTOBER 2015

RMI 46346

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 13 October 2015 between REPUBLIC OF MARSHALL ISLANDS ("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;

(B) the Recipient has also applied to the Government of Australia for a grant ("Australia Grant") in an amount of four million Dollars (\$4,000,000) to assist in cofinancing expenditures under the Project and to be administered by ADB, upon the terms and conditions set forth in a grant agreement between the Recipient and ADB ("Australia Grant Agreement");

(C) the Project will be carried out by Kwajalein Atoll Joint Utilities Resources Inc. ("KAJUR"), and for this purpose the Recipient will make available to KAJUR the proceeds of the grant provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a grant ("Grant", and together with the Australia Grant, "Grants") to the Recipient from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and KAJUR;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 ("Grant Regulations"), are hereby made applicable to this Grant 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(16) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and KAJUR".

(b) The term "Project Executing Agency" appearing in Section 6.01(a), 8.01(c), 8.01(e), 8.01(i), 9.01(b) and 9.02(b) of the Grant Regulations shall be substituted by the term "KAJUR".

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

(a) “Australia Grant” means the grant from the Government of Australia, referred to in Recital B of this Grant Agreement;

(b) “Australia Grant Agreement” means the agreement of even date herewith between the Recipient and ADB, referred to in Recital B of this Grant Agreement;

(c) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

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

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

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

(g) “Gender Action Plan” or “GAP” means the gender action plan prepared for the Project, including any update thereto, and agreed between the Recipient and ADB;

(h) “Goods” means equipment and materials to be financed out of the proceeds of the Grants, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(i) “Grant” means the grant provided for in this Grant Agreement;

(j) “Grants” means the Grant and the Australia Grant;

(k) “Initial Environmental Examination” or “IEE” means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

(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) “KAJUR” means the Kwajalein Atoll Joint Utilities Resources, Inc. or any successor thereto acceptable to ADB;

(n) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2015, as amended from time to time);

(o) “PAM” means the project administration manual for the Project dated 4 August 2015 and agreed between the Recipient and ADB, as updated from time to time in accordance with the respective administrative procedures of the Recipient and ADB;

(p) “PMU” means the project management unit;

(q) “Procurement Guidelines” means ADB’s Procurement Guidelines (2015, as amended from time to time);

(r) “Procurement Plan” means the procurement plan for the Project dated 4 August 2015 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;

(s) “Resettlement Plan” or “RP” means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

(t) “Project Executing Agency” for the purposes of, and within the meaning of, the Grant Regulations means the Office of the Chief Secretary or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project.

(u) “Project facilities” means each and any of the facilities to be constructed or established under the Project;

(v) “Safeguards Monitoring Report” means each report prepared and submitted by the Recipient to ADB that describes progress with implementation of and compliance with the EMP and the RP including any corrective and preventative actions;

(w) “Safeguard Policy Statement” or “SPS” means ADB's Safeguard Policy Statement (2009);

(x) “SWRO” means saltwater reverse osmosis; and

(y) “Works” means construction or civil works to be financed out of the proceeds of the Grants, 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 an amount of five million Dollars (\$5,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall make the proceeds of the Grant available to KAJUR in the form of grant and shall cause KAJUR to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn 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, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to this Grant Agreement.

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

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2022 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 and the Project Agreement.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. 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.

Section 4.04. The Recipient shall take all actions which shall be necessary on its part to enable KAJUR 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

Suspension

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:

(a) any change to the constitutional documents and/or corporate structure of KAJUR, that will or may in the reasonable opinion of ADB adversely affect the implementation of the Project; and

(b) the Australia Grant shall have become liable for suspension or cancellation.

ARTICLE VI

Effectiveness

Section 6.01 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 Australia Grant Agreement shall have been duly executed and delivered, and all conditions to its effectiveness shall have been fulfilled, subject only to the effectiveness of this Grant Agreement

Section 6.02. A date 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 Minister of Finance 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

Ministry of Finance
P.O. Box D
Majuro, Marshall Islands 96960

Facsimile Number:

+692 625-3607.

For ADB

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

Facsimile Numbers:

(63 2) 636-2444
(63 2) 636-2446.

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

REPUBLIC OF THE MARSHALL
ISLANDS

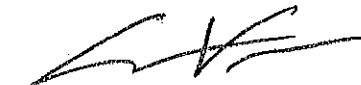
By



Jack J. Ading
Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By



Emma Veve
Director
Urban, Social Development and
Public Management Division
Pacific Department

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve access to safe water and to improve sanitation in Ebeye.

2. The Project shall comprise the following outputs:

Output 1 - Secure and safe freshwater supplies.

- (a) Increase the availability of freshwater to each resident of Ebeye to 105 liters per day through:
 - (i) installation of a new SWRO unit with a freshwater production capacity of 1.6 million liters per day;
 - (ii) construction of 2 new saltwater wells with capacity to fully meet the SWRO plant and saltwater sewerage system saltwater demand;
 - (iii) construction of a brine outfall to dispose of brine effluent from the SWRO plant; and
 - (iv) installation of bulk supply meters at strategic locations within the water supply network.

- (b) Improvement of the freshwater delivery to households through:
 - (i) construction of a new freshwater pumping station;
 - (ii) upgrading of approximately 350 meters of water distribution mains from 100 millimeter to 200 millimeter diameter;
 - (iii) installation of an elevated freshwater reservoir with a capacity of 100,000 liters;
 - (iv) implementation of a leak detection and repair program and replacement of up to 370 meters of 100 millimeter and 150 millimeter diameter mains; and
 - (v) replacement of up to 800 freshwater service connections and installation of prepayment water meters on all freshwater service connections.

- (c) Construction of approximately 160 meters of freshwater water mains to extend the freshwater supply network to un-serviced areas and construct new service connections to approximately 365 households.

Output 2 - Effective and efficient sewerage services.

- (a) Upgrading of the sewerage collection system through:
 - (i) reconstruction of four existing sewage pump stations;
 - (ii) rehabilitation or replacement of 450 meters of existing sewer;
 - (iii) rehabilitation or replacement of 120 manholes; and

- (iv) extension of sewerage system by approximately 500 meters to un-serviced areas and providing new service connections to approximately 445 households.
- (b) Upgrading of the saltwater supply system to improve saltwater supply to the sewerage system through:
 - (i) rehabilitation or replacement of 500 meters of saltwater mains;
 - (ii) rehabilitation or replacement of 880 saltwater service connections;
 - (iii) construction of an elevated saltwater reservoir with a capacity of 50,000 liters; and
 - (iv) replacement of corroded fire hydrants with 62 standpipes and purchase of a new fire truck that can source water from the saltwater supply system.
- (c) Improvement of the treatment and disposal of sewage through:
 - (i) installation of primary sewage treatment facilities (milli-screens); and
 - (ii) construction of a lagoon outfall with a length of 350 meters discharging at a depth of 35 meters.

Output 3 - Enhanced hygiene awareness and improved hygiene behaviors.

- (a) Mainstreaming hygiene awareness, particularly in schools; and
- (b) Upgrading and expansion of sanitation facilities at schools where the ratio of students to functioning toilets exceeds 150 students per toilet.

Output 4 - Secure electricity supply for water supply and sewerage operations.

- (a) Replacement of existing Ebeye power station high voltage busbars and protection equipment with new high voltage busbars and protection equipment;
- (b) Replacement of existing switchgear;
- (c) Installation of a power plant data monitoring system; and
- (d) Replacement of all wooden power poles with concrete or galvanized steel power poles.

Output 5 - Ensured KAJUR's financial and technical sustainability. A program of institutional strengthening and capacity development will be undertaken to enable KAJUR to become financially, operationally, and technically sustainable. The program will include:

- (a) Strengthening of KAJUR's financial management systems through the provision of a financial advisor and upgrading of financial software systems;

- (b) Implementation of tariff frameworks;
- (c) Introduction of mechanisms to improve cost recovery such as universal (prepayment) metering of electricity and water supply;
- (d) Review of the personnel structure and strengthening of KAJUR's administrative capacity;
- (e) Strengthening of KAJUR's water and sewerage operations; and
- (f) Implementation of a household water service and sanitation fixtures program to repair plumbing leaks and installation of efficient water supply and sanitation fixtures to foster household water conservation and reduce KAJUR's water supply and sewerage system operational costs.

3. The Project includes the provision of Consulting Services to support the above stated activities.

4. The Project is expected to be completed by 31 December 2021.

SCHEDULE 2**Allocation and Withdrawal of Grant 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 Grant and the allocation of amounts of the Grant 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 Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure 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 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 shall be disbursed in accordance with the Loan Disbursement Handbook.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Ebeye Water Supply and Sanitation Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Works	1,500,000	37.2% of total expenditure claimed*
2	Equipment	2,500,000	32.3% of total expenditure claimed*
3	Consulting Services	1,000,000	39.0% of total expenditure claimed*
	Total	5,000,000	

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

SCHEDULE 3

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; provided that ADB's member country procurement eligibility restrictions shall not apply.
2. All terms used in this Schedule and not otherwise defined in this Grant 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:
 - (i) International Competitive Bidding;
 - (ii) National Competitive Bidding; and
 - (iii) Shopping.
4. 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.

National Competitive Bidding

5. 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 approval of such change by the Recipient and ADB.

Conditions for Award of Contract

6. The Recipient shall not award any Works contracts until:
 - (a) the Environmental Protection Agency of the Recipient has granted the final approval of the IEE; and
 - (b) the Recipient has incorporated the relevant provisions from the EMP into the Works contract.
7. The Recipient shall not award any Works contract which involves involuntary resettlement impacts, until the Recipient has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP.

Consulting Services

8. Except as ADB may otherwise agree, the Recipient shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

9. The Recipient shall recruit the individual consultants for financial management, utility management, water and sewer operations, and fixture program management in accordance with procedures acceptable to ADB for recruiting individual consultants.

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.

ADB's Review of Procurement Decisions

12. 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; Financial Matters

Implementation Arrangements

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

Organizational Matters

2. In relation to the Project, no later than 30 June 2016, KAJUR shall have recruited and engaged (i) key personnel for its finance department, including permanent staff with adequate qualifications, preferably as chartered accountant, master in business administration specializing in finance, or costs and works accountant; and (ii) staff required to meet substantially all its other staffing requirements as laid down in its recruitment and development plan, as updated from time to time in consultation with ADB.

3. Subject to KAJUR's recruitment and promotion rules, KAJUR shall generally recruit all personnel on a competitive and transparent basis through open advertisements in the relevant printed media and on their websites.

Counterpart Support

4. The Recipient shall make available to the Project Executing Agency and KAJUR all counterpart funds required for timely and effective implementation of the Project, including, without limitation, any funds required to mitigate unforeseen environmental and social impacts, and to meet additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances.

5. The Recipient shall cause KAJUR to provide adequate counterpart funds to keep the PMU fully equipped and fully staffed in accordance with the requirements set out in the PAM.

6. The expenditures financed by the Grant shall be exclusive of taxes and duties within the territory of the Recipient. Recipient shall exempt taxes and duties imposed in the territory of the Recipient for Goods, Works and Consulting Services used in the carrying out of the Project, in accordance with the applicable laws of the Recipient.

Financial Covenant

7. KAJUR shall prepare and submit an action plan to ADB for endorsement within twelve months from the Effective Date, which action plan includes specific tasks and activities to progressively enhance its financial and operating systems to improve its collection of accounts receivable over the course of project implementation. KAJUR shall achieve collection ratio of 60% in the first year of implementation of the action plan, and 80% in the third year, 95% in the fifth year and thereafter of implementation of the action plan.

8. The Recipient and KAJUR shall make reasonable efforts towards the approval and adoption of the State-Owned Enterprises Bill 2012 (SOE Bill 2012), which is currently pending for approval by the Parliament or a similar enabling legislation for state-owned enterprises. In the absence of an enacted law governing state-owned enterprises, the Recipient shall, no later than three months from the Effective Date, adopt such legislative or other measures as necessary to ensure that KAJUR has the authority and capacity to:

- (a) recover all operations, maintenance and depreciation costs of plant and equipment through electricity, water, and sewer tariffs, and/or user fees. In the event that the electricity, water and sewer tariffs and/or user fees are insufficient to fully recover its operations and maintenance costs, including all direct and indirect costs, the Recipient shall provide financial assistance in the form of subsidy on annual basis to cover the shortfall;
- (b) develop and implement tariff and user charges frameworks, such as progressive tariff structures with a life-line block, that ensure that services provided are accessible to all households on Ebeye, including those in greatest hardship, while securing full cost recovery by 1 October 2021;
- (c) adopt and implement a policy of universal (prepayment) metering of electricity and water supply customers by 1 October 2018; and
- (d) ensure that the governance arrangements of KAJUR including the Board size and composition, Board member selection processes and duties are in accordance with the Sections 617 – 624 of the SOE Bill 2012.

Corporate Governance

9. The Recipient has represented to ADB that KAJUR is a state-owned-enterprise wholly owned by the Recipient. KAJUR shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, may adversely affect the carrying out of the Project or the operation of the Project facilities. KAJUR shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

Quality Assurance

10. The Recipient shall cause KAJUR to ensure that the Project facilities are constructed and/or rehabilitated in accordance with the design technical specifications, and that construction supervision, quality control, and contract management are carried out in accordance with internationally accepted standards.

Operation and Maintenance

11. Within six months prior to the Project completion date, the Recipient shall cause KAJUR to prepare and submit for ADB's review and concurrence the maintenance

policies for the Project facilities constructed under the Project, including allocation of budget and implementation arrangements. Furthermore, the Recipient and KAJUR shall ensure that all equipment and spare parts financed under the Project shall exclusively be used for the maintenance and operation of the Project.

Environment

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

Land Acquisition and Involuntary Resettlement

13. The Recipient shall ensure or cause KAJUR 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 Recipient relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

14. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Recipient shall ensure or cause KAJUR 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

15. The Recipient shall ensure that the Project does not involve any indigenous peoples risks or impacts within the meaning of the SPS. If due to unforeseen circumstances, the Project involves any such impacts, the Recipient shall take all steps necessary or desirable to ensure that the Project complies with all applicable laws and regulations of the recipient and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

16. The Recipient shall make available or cause KAJUR to make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

17. The Recipient shall ensure or cause KAJUR to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, and the RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Recipient 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, and the RP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

18. The Recipient shall do the following or cause KAJUR 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, and the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; 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

19. The Recipient shall ensure that no proceeds of the Grant are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Gender and Development

20. The Recipient shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Project Website

21. Within three months from the Effective Date, KAJUR shall on its website disclose information about various matters on the project, including procurement. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services procured.

Governance and Anticorruption

22. The Recipient, the Project Executing Agency, and KAJUR shall (a) 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 (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

23. The Recipient, the Project Executing Agency and KAJUR 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.

Labor Standards, Health and Safety

24. The Recipient shall ensure that the core labor standards and the Recipient's applicable laws and regulations are complied with during project implementation. The Recipient shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Recipient's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

25. The Recipient shall strictly monitor compliance with the requirements set forth in paragraph 24 above and provide ADB with regular reports.