
GRANT NUMBER 0180-TIM (SF)

GRANT AGREEMENT
(Special Operations)
(Road Network Development Sector Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

ASIAN DEVELOPMENT BANK

DATED 26 FEBRUARY 2010

GAS:TIM 43322

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 26 February 2010 between DEMOCRATIC REPUBLIC OF TIMOR-LESTE (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) ADB has agreed to provide a Grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

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

(a) "ADB's Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook dated January 2007, as amended from time to time;

(b) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers dated February 2007, as amended from time to time;

(c) "DRBFC" means the Recipient's Directorate of Roads, Bridges, and Flood Control, or any successor thereto;

(d) "EARP" means the environmental assessment review procedure dated 24 August 2009, prepared for the Project and approved by ADB;

(e) "EMP" means the environment management plan prepared for the Project, as may be updated, following the final design of the Project, and as agreed by ADB;

(f) "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;

(g) "IEE" means the initial environmental examination, prepared or to be prepared for the subprojects by the Recipient and agreed by ADB;

(h) "MOF" means the Recipient's Ministry of Finance or any successor thereto;

(i) "MOI" means the Recipient's Ministry of Infrastructure or any successor thereto;

(j) "MTRNDP" means the Recipient's Medium Term Road Network Development Program;

(k) "PMU" means the Project management unit established in accordance with paragraph 2 of Schedule 4 to this Grant Agreement;

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

(m) "Procurement Plan" means the procurement plan for the Project dated 6 October 2009 and agreed between the Recipient and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(n) "Project area" means the area where the Project shall be implemented, including (i) any roads selected as a subproject for rehabilitation under the Project; (ii) national roads in the border region comprising the districts of Bobonaro, Covalima, and Oecussi; and (iii) access roads and parking areas within border posts at Mota Ain, Salele, Sakato, and Oesilo;

(o) "Project Executing Agency" or "EA" for the purposes of, and within the meaning of, the Grant Regulations means MOI or any successor thereto acceptable to ADB, which is responsible for the overall management of the Project;

(p) "RF" means resettlement framework dated 24 August 2009 prepared for the Project and approved by ADB;

(q) "RMP" means road maintenance program to be developed under the Project as referred to in paragraph 2 (ii) of Schedule 1 to this Grant Agreement;

(r) "RP" means any of the resettlement plans to be developed by the Recipient in accordance with the RF and submitted to ADB for approval;

(s) "Subproject" means a subproject selected and approved for financing under the Project in accordance with paragraphs 3 to 7 of Schedule 4 to this Grant Agreement; and

(t) "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 Grant Agreement an amount of forty six million Dollars (\$46,000,000).

ARTICLE III

Use of Proceeds of the Grant

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

Section 3.02. The Goods, Works, 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, 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 May 2015 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 six (6) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VI**Miscellaneous**

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

For the Recipient

Palacio do Governo
Ministry of Finance
Edificio 5, 1º Andar
Dili, Timor-Leste

Facsimile Number:

+670 332 1339.

For ADB

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

Facsimile Numbers:

+632 636 2444
+632 636 2446.

With a copy to

Asian Development Bank
Special Office in Timor-Leste,
ADB-World Bank-IMF Building
Avenida Dos Direitos Humanos
P.O. Box 62, Dili, Timor-Leste

Facsimile Number:

+670 332 4132.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF TIMOR-
LESTE

By 
EMILIA PIRES
Minister of Finance

ASIAN DEVELOPMENT BANK

By 
HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

1. The Project aims to support the Recipient's road sector development with an intended impact of contributing to economic growth and poverty reduction in the Project area. The intended outcome of the Project is improved access to social and economic facilities in the Project area, improved efficiency in cross-border activities, reduced travel time and costs, and reduced vulnerability of road network to severe climate.
2. The Project comprises seven (7) outputs:
 - (i) Rehabilitation of about 232 km of national or district roads to maintainable condition;
 - (ii) Establishing RMP to annually maintain about 302 km of national roads in the border region, including the district of Bobonaro, Covalima, and Oecussi, during the period of Project implementation;
 - (iii) Construction of the access roads and parking lots within border posts at Mota Ain, Salele, Sakato, and Oesilo; and
 - (iv) Provision of consulting services for Project management, feasibility study, detailed design, RMP, including training of small national contractors, construction supervision, and monitoring and evaluation.
3. The Project includes provision of consulting services and is expected to be completed by 30 November 2014.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of 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 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, consulting services and other items shall be disbursed in accordance with ADB's Loan Disbursement Handbook.

Imprest Account

5. Except as ADB may otherwise agree, the Recipient shall (i) establish immediately after the Effective Date, an imprest account at a bank acceptable to ADB and authorize PMU to manage it under the supervision of MOI and MOF; (ii) ensure that the imprest account is exclusively used to finance ADB's share of eligible expenditures; (iii) ensure, and cause MOF to ensure, that withdrawals from the imprest account are managed by two (2) signatories, as approved by ADB, one from the EA or PMU and another

person from the Treasury Department of the MOF. The imprest account shall be established, managed, replenished and liquidated in accordance with the ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The initial amount to be deposited into the imprest account shall be six (6) months estimated expenditures to be financed from the imprest account or five hundred thousand Dollars (\$500,000) whichever is lower. The subsequent amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the next six (6) months of Project implementation; or (ii) the equivalent of ten percent (10%) of the Grant amount.

Retroactive Financing

6. Withdrawals from the Grant Account may be made for reimbursement of reasonable eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Grant Agreement in connection with Project management, including consulting services and Works, to be retroactively financed, subject to a maximum amount equivalent to ten percent (10%) of the Grant amount.

Condition of Withdrawals from Imprest Account

7. Notwithstanding any other provision of this Grant Agreement, no withdrawals shall be made from the imprest account if misprocurement has been found by ADB or procurement has been identified as irregular, until such misprocurement or other irregularity has been corrected by the PMU to the satisfaction of the Recipient and ADB.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Road Network Development Sector Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated \$		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Works	32,700,000		
1A	Road Rehabilitation		24,750,000	90 percent of total expenditure*
1B	Road Maintenance		7,000,000	70 percent of total expenditure*
1C	Roads and Parking Areas of Border Posts		950,000	95 percent of total expenditure*
2	Equipment	200,000		100 percent of total expenditure*
3	Project Management	2,100,000		100 percent of total expenditure*
4	Consulting Services	4,540,000		100 percent of total expenditure*
5	Unallocated	6,460,000		85 percent of total expenditure*
	Total	46,000,000		

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

SCHEDULE 3

Procurement of Goods, 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

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.

C. Conditions for Award of Contract

6. The Recipient shall not award any Works contracts financed under the Grant until:
 - (a) the relevant IEE and RP, if any, shall have been prepared, updated after the detailed design, and approved by the Recipient and ADB and objections (if any) raised by the Project affected people shall have been addressed and compensation, as per the RF/RP, has been given to the Project affected people, at a replacement cost, in a legal and

transparent manner before taking possession of the acquired land, structures, and other assets; and

(b) the mitigation plan, in accordance with the laws and regulations of the Recipient and ADB's *Policy on Indigenous Peoples* (1998) shall have been prepared by the Recipient and approved by ADB and mitigation measures, satisfactory to ADB, shall have been included in the mitigation plan to avoid any adverse impact on the livelihood of ethnic minorities living in the Project area.

D. Selection of Consulting Services

7. 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.

8. The Recipient shall apply Least-Cost Selection method for selecting and engaging financial auditing services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

9. The Recipient shall recruit the individual consultants for Project management services in accordance with procedures acceptable to ADB for recruiting individual consultants.

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 or national competitive bidding procedures, first five (5) contracts procured under the national competitive bidding for RMP, and all contracts for consulting services, except for the contract under least cost selection method shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

SCHEDULE 4

Execution of Project and Operation of Project Facilities; Financial Matters

Project Implementation and Management

1. Project Executing Agency. MOI shall be the EA for the Project responsible for the overall management of the Project.
2. PMU. The PMU established for the ADB financed Road Sector Improvement Project shall be the PMU for the Project and shall be staffed by recruiting individual national and international consultants. MOI shall assign counterpart staff for the PMU from DRBFC to participate in the Project implementation. PMU shall be responsible for (i) overall Project implementation; (ii) stakeholder consultation and coordination; (iii) procurement of Goods, Works, and consulting services for road rehabilitation and RMP components of the Project; (iv) contract administration; (v) sector development support to MOI; and (vi) on-the-job training to counterpart DRBFC staff of the MOI. The national staff of the PMU shall be absorbed by the MOI to integrate the PMU into MOI's permanent institutional setup at the completion of the Project.

Subproject Selection Procedure and Criteria

3. The Recipient shall ensure that the subproject selection criteria and procedures as set in paragraphs 4 and 7 below are followed.
4. The PMU shall select the candidate subproject roads from the list provided under the MTRNDP and undertake stakeholder consultations to investigate their relevance to (i) fostering economic development; (ii) improving the quality of life of residence; (iii) providing services to rural and remote areas; (iv) fostering within country regional development; and (v) creating employment.
5. The PMU, after stakeholder consultations, shall obtain MOI's endorsement for the appraisal of the short listed subprojects.
6. The PMU, assisted by the Project implementation supports consultants, shall conduct appraisal of the MOI endorsed subprojects ensuring that the subprojects must:
 - (i) be economically viable, and demonstrate an economic internal rate of return (EIRR) of at least 12%;
 - (ii) not cause any environmental impacts that are classified as environmental category A, according to ADB's *Environmental Assessment Guidelines* (2003);
 - (iii) not require acquisition resulting in significant resettlement impacts as per ADB's *Involuntary Resettlement Policy* (1995); and
 - (iv) be provided with funds and resources, by MOI, necessary for construction, operation, and maintenance in a timely manner.

7. After the appraisal, the PMU shall obtain MOI's endorsement for the final candidate subprojects and submit them for ADB's approval.

Project Operation and Maintenance

8. Subproject Selection. The EA shall ensure that (i) all subprojects are selected from the Recipient's MTRNDP, or included into the MTRNDP once selected; and (ii) ADB's concurrence is obtained on the inclusion of the subproject for financing under the Project, based on the agreed appraisal and eligibility criteria prior to the detailed design of any subproject.

9. PMU. The EA shall ensure that (i) PMU is maintained properly with appropriate office accommodation; (ii) within six (6) months of the Effective Date, the counterpart staff from DRBFC is appointed as PMU staff; (iii) within three (3) months of the Effective Date, the national and international consultants are recruited as PMU staff to enhance the capacity of PMU for Project implementation; and (iv) at the completion of the Project, the national staff of PMU are offered to join the MOI as a regular staff of the MOI for integrating trained PMU staff into MOI's institutional setup.

10. Counterpart Financing. The Recipient shall ensure that (i) all funds and resources necessary for construction, operation and maintenance, and management of the Project are provided in a timely manner; (ii) all necessary measures are taken, including the provision of additional funds to ensure that the Project is successfully implemented, managed and operated after completion of construction; and (iii) MOI has adequate budget to maintain counterpart DRBFC staffing in PMU and to support PMU's operations related to the Project.

11. Road Safety. The EA shall ensure that (i) appropriate road safety facilities during Project implementation, including pavement markings, traffic signs and signals, warning signs, and hazard barriers are installed; and (ii) road safety awareness program for the roadside communities is implemented.

12. Road Maintenance. The Recipient shall, and shall cause the EA to ensure, that (i) road maintenance for the Project roads is implemented with adequate budget and staff arrangements, and maintained after the Project completion to ensure long-term sustainability; and (ii) budget allocation for national and district roads is increased to at least four million Dollars (\$4,000,000) for fiscal year 2010, and increased by at least 30% per annum in each subsequent year till the road maintenance needs are fully satisfied.

Governance and Anticorruption Measures

13. Auditing. Without limitation to the overall application of Section 4.02 of this Grant Agreement, the EA shall ensure that (i) separate records and accounts are maintained for the Project to identify Goods, Works, and consulting services financed under the Project, all expenditures incurred on the Project outputs, and counterpart funds, as expended; (ii) Project accounts, including financial statements, are audited annually as part of the regular audit by an auditing firm acceptable to ADB, using international accounting and auditing standards; (iii) the auditor's report and copies of the certified accounts and related financial statements, including auditor's opinion is submitted to ADB no later than six (6) months after the close of each fiscal year in English language; (iv) the auditor's opinion includes: (a) an assessment of the adequacy of accounting and internal control systems

regarding Project expenditures and transactions to ensure safe custody of Project-financed assets; (b) a determination as to whether the Recipient and MOI have maintained adequate documentation for all financial transactions, specifically including the imprest account procedures; and (c) confirmation of compliance with ADB's requirements for Project management; and (v) a separate audit opinion is issued on the use of the imprest account.

14. Governance. The EA shall ensure that (i) the Project is carried out in compliance with all applicable anticorruption laws and regulations of the Recipient, and ADB's *Anticorruption Policy* (1998, as amended to date); (ii) an information disclosure system is established by (a) displaying, on the notice boards outside government offices and important public places at the roadside community level, the information regarding contracts, list of participating bidders, name of the winning bidder, basic details on bidding procedures, contract award, and list of goods and services procured; and (b) notifying the communities of the date and location of selected events in the procurement process (e.g., public bid openings, progress reviews, and handover ceremonies); and (iii) within three (3) months of the Effective Date, a grievance redress task force is established at PMU to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities. The task force shall (a) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (b) proactively and constructively respond to them.

15. Project Performance Monitoring and Evaluation. The EA shall ensure that (i) Project impacts are monitored and evaluated; (ii) the indicators and baseline data prepared by the Project consultants are discussed and agreed upon with ADB prior to the commencement of Works; (iii) the data during Project implementation and at Project completion is monitored and compared; (iv) monitoring and evaluation reports are submitted to ADB one (1) month after the completion of the Project consultants' field work; and (v) the indicators and baseline data makes full use of gender-disaggregated data and information.

16. Reporting. The EA shall ensure that quarterly Project progress reports are prepared and submitted to ADB including: (i) a narrative description of progress made during the reporting period; (ii) changes in the implementation schedule; (iii) projected expenditure in the next six (6) months; (iv) problems or difficulties encountered; (v) implementation of RP, if any; (vi) activities to be undertaken in the next reporting period; and (vii) a subproject completion report, within three (3) months of the completion of each subproject, and a Project completion report within six (6) months after the Project completion are prepared and submitted to ADB.

Social and Environmental Safeguards

17. Environment. The EA shall ensure that (i) no subproject assessed as involving significant environmental adverse impacts is approved under the Project; (ii) the Project implementation complies with all applicable laws and regulations of the Recipient and ADB's *Environment Policy* (2002); (iii) the EMPs are updated, as required, during final design; (iv) the environmental mitigation measures specified in the EMP are incorporated into the bidding documents and Works specifications; (iv) ADB's approval of the IEE and relevant EMP of a subproject is obtained before issuing bidding documents; (v) Work contractors are closely supervised to ensure compliance; (vi) the Project consultants undertake environment monitoring and reflects the results in the quarterly Project progress reports and Project completion report; and (vii) environmental management and monitoring training is provided to

DRBFC staff of PMU to increase their capacity in environmental supervision and monitoring during construction.

18. Land Acquisition and Resettlement. The EA shall ensure that (i) all Project rehabilitation and maintenance works are undertaken within existing right-of-way; and (ii) ADB is informed in the event of any unforeseen land acquisition or resettlement needs and RP is prepared in accordance with the relevant laws and regulations of the Recipient and the ADB's *Involuntary Resettlement Policy* (1995) and approved by ADB.

19. Gender and Development. The EA shall ensure that (i) Project is implemented in accordance with ADB's *Policy on Gender and Development* (1998); (ii) Project contractors are encouraged to employ 30% of women in road rehabilitation and maintenance works; (iii) equal pay to men and women for work of equal type is paid in accordance with the laws of the Recipient and international treaty obligations; (iv) safe working conditions for both male and female workers is provided; (v) specific provisions to this effect are included in the bidding documents; and (vi) progress in achieving the employment targets for women are reflected in the Project progress reports and Project completion report.

Other Matters

20. Health Risks. The EA shall ensure that (i) all Works contracts include a requirement to conduct an information and education campaign on sexually transmitted diseases (STD), including HIV/AIDS for construction workers as part of the health and safety program at Project construction campsites; (ii) similar information on the risk of transmission of STD, including HIV/AIDS is disseminated at the worksites and to local communities in the corridor of influence, in coordination with national agencies working on this issue; and (iii) compliance with this provision is monitored by PMU.

21. Labor Laws. The EA shall ensure that (i) Works contractors comply with all applicable labor laws of the Recipient and related international treaty obligations; (ii) child labor is not employed for rehabilitation and maintenance activities; and (iii) specific provisions to this effect are included in bidding documents and Works contracts, and compliance is strictly monitored.