
LOAN NUMBER _____ - PRC

PROJECT AGREEMENT
(Hunan Roads Development III Project)

between

ASIAN DEVELOPMENT BANK

and

HUNAN PROVINCIAL GOVERNMENT

HUNAN JI-CHA EXPRESSWAY CONSTRUCTION AND
DEVELOPMENT COMPANY LIMITED

DATED _____

PAL: PRC 37494

PROJECT AGREEMENT

PROJECT AGREEMENT dated _____ between ASIAN DEVELOPMENT BANK (hereinafter called ADB) on the one part and HUNAN PROVINCIAL GOVERNMENT (hereinafter called HPG) and HUNAN JI-CHA EXPRESSWAY CONSTRUCTION AND DEVELOPMENT COMPANY LIMITED (hereinafter called JECC) on the other part.

WHEREAS

(A) by a Loan Agreement of even date herewith between People's Republic of China (hereinafter called the Borrower) and ADB, ADB has agreed to make to the Borrower a loan of two hundred eight million dollars (\$208,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that a portion of the proceeds of the Loan in an amount of \$8,000,000 be made available to HPG for the local roads component of the Project and the remaining proceeds of the Loan in an amount of \$200,000,000 be onlent to JECC through HPG for the Project expressway and that HPG and JECC agree to undertake certain obligations towards ADB as hereinafter in this Project Agreement set forth; and

(B) HPG and JECC, in consideration of ADB entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth, except that in case of applying to JECC, "Project" means the Project expressway under the Project.

ARTICLE II

Particular Covenants

Section 2.01. (a) HPG and JECC shall carry out the Project with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental and highway and road practices.

(b) In the carrying out of the Project and operation of the Project facilities, HPG and JECC shall perform all obligations set forth in the Loan Agreement to the extent that

they are applicable to HPG and JECC and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. HPG and JECC shall make available, promptly as needed, the funds, facilities, services, equipment, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, HPG and JECC shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to the Loan Agreement. ADB may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. HPG and JECC shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. HPG and JECC shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) HPG and JECC shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, HPG and JECC undertake to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 2.06. HPG and JECC shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB, HPG and JECC shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) HPG and JECC shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the Onlending Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB, HPG and JECC shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, HPG, JECC and the Loan.

Section 2.08. (a) HPG shall cause HCD to, and JECC shall, furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the goods and services and other items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of the unit in HCD responsible for implementation of the local roads component of the Project and JECC; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, HPG and JECC shall furnish to ADB quarterly reports on the execution of the Project during the construction period and reports on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as ADB may agree for this purpose, HPG and JECC shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by HPG and JECC of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) HPG, through HCD, shall maintain separate accounts for the local roads component of the Project and JECC shall maintain separate accounts for the Project expressway. HPG through HCD and JECC shall (i) have such accounts and related financial statements (balance sheet, statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by external auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (ii) furnish to ADB, promptly after their preparation but in any event not later than 6 months after the close of the fiscal year to which they relate, 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 Loan proceeds and compliance with the covenants of the Loan Agreement as well as on the use of the procedures for statement of expenditures), all in the English language. HPG and JECC shall furnish to ADB such further information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) HPG shall cause HCD to, and JECC shall, enable ADB, upon ADB's request, to discuss financial statements of the unit in HCD responsible for implementation of the local roads component of the Project and JECC and their respective financial affairs from time to time with HCD's and JECC's auditors, 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 HCD and JECC unless HCD and JECC shall otherwise agree.

Section 2.10. HPG shall cause HCD to, and JECC shall, enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, all other plants, sites, works, properties and equipment, and any relevant records and documents of HCD, to the extent applicable to the Project, and of JECC.

Section 2.11. (a) JECC shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) JECC shall at all times conduct its business in accordance with sound administrative, financial, environmental, highway and road practices, and under the supervision of competent and experienced management and personnel.

(c) JECC shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, engineering, environmental, highway and road and maintenance and operational practices.

Section 2.12. Except as ADB may otherwise agree, JECC shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, HPG and JECC shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all goods and services financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, HPG and JECC shall duly perform all its obligations under the Onlending Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Onlending Agreement.

Section 2.15. JECC shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its Charter and shall afford ADB an adequate opportunity to comment on such proposal prior to taking any action thereon.

ARTICLE III

Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement shall come into force and effect. ADB shall promptly notify HPG and JECC of such date.

Section 3.02. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

ARTICLE IV

Miscellaneous

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

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

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

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

For HPG

HCD
No 113, Yingbin Road
Changsha,
Hunan Province, 410011
People's Republic of China

Facsimile Number:

86-73-4749610.

For JECC

People's Republic of China

Facsimile Number:

_____.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement (i) by or on behalf of HPG may be taken or executed by its Governor or by such other person or persons as the Governor shall so designate in writing notified to ADB; or (ii) by or on behalf of JECC may be taken or executed by its Chairperson of the Board of Directors or by such other person or persons as the Chairperson shall so designate in writing notified to ADB.

(b) HPG and JECC shall furnish to ADB sufficient evidence of the authority of each person who will act under paragraph (a) of this Section, together with the authenticated specimen signature of each such person.

Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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.

ASIAN DEVELOPMENT BANK

By _____
President

HUNAN PROVINCIAL GOVERNMENT

By _____
Authorized Representative

HUNAN JI-CHA EXPRESSWAY CONSTRUCTION
AND DEVELOPMENT COMPANY LIMITED

By _____
Authorized Representative

SCHEDULE

Execution of Project; Financial Matters

Implementation Arrangements

1. HCD shall be the Project Executing Agency responsible for the overall implementation of the Project and direct implementation of the local road component of the Project through the concerned local communications bureaus.
2. JECC shall be the Implementing Agency, responsible for coordinating and monitoring all construction activities of the Project expressway and operating the Project expressway. JECC's general manager, the Project director, shall be responsible for overall project management in respect of the Project expressway, the approval of contracts, and payments. A project implementation unit (PIU) established within JECC shall facilitate land acquisition, resettlement, and environmental protection measures, and ensure that local concerns are adequately addressed. PIU shall be headed by a Project manager, who will oversee day-to-day physical implementation activities and prepare progress reports.

Counterpart Financing

3. HPG shall, through HCD, take all necessary measures to ensure that (i) JECC can successfully construct the Project expressway; (ii) the local communications bureaus in the Project area can successfully construct, manage, and maintain the local roads; and (iii) the construction and improvements of local roads are completed prior to the completion of the Project expressway.

Construction Quality

4. HPG shall, through HCD, ensure that (i) the Project is constructed in accordance with the revised technical standards of highway engineering issued by the Borrower's Ministry of Communications; (ii) the local roads under the Project are upgraded, constructed, and maintained in accordance with national standards; and (iii) project construction supervision, quality control, and contract management are conducted in accordance with national standards and internationally accepted practices.

Road Safety

5. At least six months prior to the commencement of operation of the Project expressway, (a) HPG shall cause HCD to, in coordination with the international consultant, develop, adopt and implement a plan, acceptable to HPG and ADB, for ensuring safe operation of the Project facilities; and (b) HPG shall establish teams of traffic police personnel, in accordance with national and HPG standards, to patrol the Project expressway and enforce the national laws and regulations. HPG shall cause HCD to utilize its traffic control and surveillance systems to implement road safety measures for the Project.

Tolls

6. At least six months prior to the commencement of operation of the Project expressway, HPG shall cause HCD to propose appropriate toll rates for the Project expressway in accordance with the Borrower's Highway Law, which requires that toll rates be set at levels sufficient to fulfill the debt service obligations of the Project expressway as well as maintain sound operation, management, and maintenance practices for the Project expressway.

7. For the first 3 years of full operation of the Project expressway, HPG shall cause HCD, on an annual basis, to review the toll structure and levels and report to ADB any significant difficulties in meeting the principles established under the Highway Law.

Financial Performance Ratio

8. (a) Except as ADB shall otherwise agree, JECC shall not incur, for each fiscal year commencing from the fifth year of the full operation of the Project expressway, any debt unless reasonable forecast of the revenues and the expenditures of JECC shows that the estimated net revenues of JECC for each fiscal year during the term of the debt to be incurred shall be at least 1.2 times the estimated maximum debt service requirements of JECC for any succeeding fiscal year on all debt of JECC, including the debt to be incurred.

(b) For the purposes of this paragraph:

- (i) The term "debt" means any indebtedness of JECC and maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (a) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (b) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources adjusted to take account of JECC's toll rates in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues related and net non-operating income; and
 - (B) the sum of all expenses, including operation administration, adequate annual maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

Schedule

- (iv) The term “reasonable forecast” means a forecast prepared by JECC not earlier than twelve months prior to the incurrence of the debt in question, which both ADB and JECC accept as reasonable and as to which ADB has notified JECC of its acceptability, provided that no event has occurred since notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of JECC.
- (v) Whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to ADB.

Operation and Maintenance Concession

9. (a) Upon commencement of operation of the Project expressway, HPG shall cause HCD to award a maintenance concession to a qualified enterprise through a competitive bidding, it being understood that the maintenance concession shall be in effect only until the operation and maintenance agreement mentioned under paragraph (b) below is entered into.

(b) When the Project expressway's operating-profit ratio exceeds 10%, HPG shall cause HCD to use its best efforts to award an operation and maintenance concession through a competitive bidding process equally open to all enterprises including the private enterprises. It is understood that such enterprise shall undertake all the obligations applicable to JECC with respect to the Project expressway. HPG shall ensure that HCD, with the help of an international consultant to be engaged under the ADB financed Hunan Roads Development II Project, prepare the bidding documents and the operation and maintenance concession framework, which specifies the concession period and selection criteria, and ensures adequate pricing and transparent auctioning. HPG shall ensure that HCD submit the bidding documents and the operation and maintenance concession framework to ADB for review by 30 June 2006.

- (c) For the purposes of this paragraph,
 - (i) the “operating-profit ratio” shall be calculated by dividing the “operating profits” by the “total operating revenues”;
 - (ii) the term “operating profits” means the difference between “total operating revenues” and “total operating expenses”;

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- (iii) the term “total operating revenues” means revenues from all sources related to the Project expressway’s operations, after making adequate provisions for uncollectible debts; and
- (iv) the term “total operating expenses” means all expenses related to the Project expressway’s operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, provision for depreciation, but excluding interest and other charges on debt.

Local Road Maintenance

11. HPG shall cause HCD (a) to prepare a local road maintenance action plan and implement it during implementation of the Project; (b) to establish a system during the operation of the Project for an efficient prioritization of road maintenance works; (c) to provide a training program to strengthen the capacity of local government maintenance units; and (d) to secure a sustainable funding for the maintenance of the local roads of the Project.

Change in Ownership and Operation

12. In the event that HPG or JECC plan (a) any change in ownership of the Project facilities, or (b) any sale, transfer, or assignment of HPG's or JECC's interest in the Project expressway, or (c) to lease out, or contract out, or otherwise modify JECC's responsibilities for operation and maintenance of the Project expressway, HPG and JECC shall, at least six months prior to the implementation of such plan, consult ADB and obtain ADB's consent. HCD and JECC shall ensure that such transfer be made in a transparent manner.

Axle Loads

13. JECC shall install vehicle axle-weighting equipment at selected points. Before opening the Project expressway, JECC shall submit to ADB the plan for operation of the vehicle weigh stations, including the prescribed axle-load limits and penalties for infringement.

Financial Reporting

14. During construction and for the first 5 fiscal years of commercial operation, JECC shall submit to ADB the certified copies of its annual accounts and financial statements, audited by external and qualified auditors appointed by HCD (all in English), within six months after the end of each relevant fiscal year. HPG shall cause HCD to establish and maintain during implementation and operation of the Project an internal audit unit, composed of full-time accountants, to undertake timely audit of project accounts in accordance with generally accepted accounting principles.

Human Resources Development and Training

15. Prior to the start of civil works for the Project expressway, JECC, in consultation with HCD, shall develop and implement a human resources development plan, acceptable to ADB, that identifies the managerial, staffing, and investment requirements of JECC in relation to the Project and that includes an international training component to

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address these needs. For each following year, as an integral part of this human resources development plan, JECC shall prepare an annual training plan, including (i) the objectives of the training activities, (ii) number of the training participants, (iii) duration, (iv) cost estimates, and (v) the program of workshops to be given to JECC employees by those who will participate in the international training. On completion of each international training, JECC shall submit to ADB an evaluation of the training.

16. JECC shall use its best efforts to ensure that the persons participating in the international training workshops remain in the employment of the transport sector in Hunan Province after Project completion to ensure knowledge sharing and continued implementation of workshops for other staff members.

Environment

17. JECC shall ensure that (i) the Project be designed, constructed, operated and maintained in accordance with the environmental laws and regulations of the Borrower, the *Environmental Policy (2002)* of ADB, and the Environmental Impact Assessment; (ii) any adverse environmental impacts arising from the Project be minimized by implementing the mitigating measures and environmental monitoring program presented in the Environmental Impact Assessment; and (iii) the implementation of the environmental management plan and any violation of environmental standards, if any (and the actions taken to remedy such violations), be regularly reported to ADB in accordance with the specifications set forth in the Environmental Impact Assessment.

Vehicle Emissions

18. At least 6 months prior to the opening of the Project expressway, HPG shall provide ADB with the Hunan Environmental Protection Bureau (HEPB) emission standards and the penalties for infringement of such standards. HPG shall ensure that through the relevant agencies the HEPB vehicle emission standards as well as the national vehicle emission standards be enforced.

Land Acquisition and Resettlement

19. JECC shall (i) implement the RP in accordance with its terms; (ii) ensure that all land and rights-of-way required by the Project be made available in a timely manner; (iii) ensure that the provisions of the RP, including compensation and entitlements for affected persons (APs), be implemented in accordance with all applicable laws and regulations of the Borrower and ADB's *Policy on Involuntary Resettlement*; (iv) ensure compensation and resettlement assistance be given to the affected people prior to dispossession and displacement; (v) ensure that the counterpart funds for land acquisition and resettlement activities be timely provided; (vi) meet any obligations in excess of the RP budget estimate; and (vii) ensure that the affected people will be at least as well off as they would have been in the absence of the Project.

20. JECC shall also ensure that (i) adequate staff and resources be committed to supervising and monitoring the implementation of the RP and to providing quarterly reports on such implementation to ADB, (ii) an independent agency acceptable to ADB be contracted to carry out investigations to monitor progress semi-annually and to evaluate results though

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annual survey updates for two years after completion of the resettlement, and forward reports to ADB and JECC as specified in the RP, (iii) monitoring data be disaggregated by gender and monitoring focus on gender impacts and vulnerable groups, (iv) a summary of government audits of resettlement disbursements and expenditures be provided to ADB, and (v) local resettlement offices keep records of consultation and grievances and make such records available to ADB on request.

21. JECC shall update the RP, including the local road component, (i) upon completion of detailed design, including rehabilitation plans for seriously affected villages, and prior to commencement of land acquisition; (ii) upon the completion of the detailed measurement survey for both the Project expressway and local roads components, as described in the RP, and prior to the commencement of civil works, submit any modifications to ADB for its concurrence prior to award of contracts; and (iii) as necessary to reflect any significant material changes in Project scope or other causes, and submit any such changes to ADB for its approval. JECC shall disclose any updated RP to the affected people. JECC shall ensure that civil works contract specifications include requirements to comply with the RP and entitlements for permanent and temporary impacts to the affected people, and shall supervise the contractors to ensure compliance with requirements of the RP, applicable law, and ADB policy.

22. HPG shall, through HCD, ensure that (a) any land acquisition carried out by the municipal or county communications bureaus for the local roads component of the Project also be implemented in accordance with the RP, and (b) adequate resettlement compensation funds be available and properly utilized.

Poverty Reduction

23. JECC shall cause the contractors involved in the Project implementation to maximize their employment of local poor people who meet the job and efficiency requirements for the construction of the Project facilities. Such workers shall be provided with adequate on-the-job training. HPG shall cause HCD to monitor the impacts of the Project on poverty in accordance with the guidelines set forth in the Project Performance Monitoring System (PPMS).

Ethnic Minority Development

24. HPG shall cause HCD, in coordination with the relevant agencies, to implement the Ethnic Minorities Development Plan (EMDP) and ensure that (i) ethnic minorities benefit from the Project in accordance with ADB's *Policy on Indigenous Peoples*; (ii) ethnic minorities in the Project area are consulted and provided with full opportunity to participate in the implementation of EMDP; (iii) sufficient budget for implementation and monitoring of the EMDP be made available in a timely manner; (iv) any significant changes to EMDP be submitted to ADB for approval; and (v) implementation of EMDP be monitored and evaluated by an independent agency which will provide annual reports to ADB on the progress of EMDP implementation.

ScheduleTransport Services

25. HPG shall, through HCD, in coordination with the other relevant agencies, ensure that adequate road transport services are in place so that the Project's benefits filter down to the rural poor in the Project area. In particular, HPG shall, through HCD, ensure that the ongoing or planned public transport facilities projects of the Xiangxi Prefecture are implemented in tandem with the Project.

Monitoring and Evaluation

26. HPG shall cause HCD to, and JECC shall, with the help of the consultants engaged under the Project, monitor and evaluate Project impacts through the Project Performance Management System (PPMS) to ensure that the Project facilities are managed effectively and the benefits, particularly to the poor, are maximized. HPG shall cause HCD to (i) hire a qualified domestic institute to carry out the monitoring activities through a competitive bidding by 31 December 2006; (ii) ensure that the relevant local government agencies, including local statistics offices, collect the data to measure the indicators contained in the PPMS prior to implementation of the Project, at completion of the Project, and biennially for 5 years thereafter; and (iii) submit to ADB the reports summarizing the key findings of monitoring.

Gender and Development

27. JECC shall follow ADB's *Policy on Gender and Development* during Project implementation and take all necessary steps to encourage women living in the Project area to participate in planning and implementing the Project, including causing the contractors to maximize employment of women in connection with the Project. HPG shall cause HCD to monitor under PPMS the Project's effects on women during Project implementation.

Health Risks

28. HPG, through HCD, and JECC, in coordination with the Center for Disease Control of HPG and the appropriate agencies identified by HPG, shall cause the contractors to disseminate information on the risks of socially and sexually transmitted diseases, including HIV/AIDS, to their employees during Project implementation. HPG shall, through HCD, cause the appropriate agencies to disseminate similar information to transport operators and to the communities in the Project area during Project implementation and operation of the Project facilities.

Women and Child Labor

29. JECC shall ensure that all civil works contractors engaged under the Project (i) provide timely payment of wages and safe working conditions to all workers including male and female workers (with such requirements being included in civil works contract and monitored by the construction supervision consultant engaged under the Project); (ii) provide women's employment, where appropriate and pay equal wages for equivalent work; (iii) do not employ child labor in Project activities in accordance with the relevant laws and regulations of the Borrower.

Anti-corruption

30. HPG shall cause HCD to ensure that (a) a supervisory body is established for prevention of undue interference in business practices and adequate resources are made available for its effective operation, (b) a leading group of officials from the Supervision Division of HCD is located in offices involved in the bidding, construction and other operational activities under the Project, (c) briefings between HCD and Prosecutor's Office are held on a regular basis with respect to sharing of information on or warning about detected corrupt practices, (d) periodic inspections on the contractor's activities related to fund withdrawals and settlements are carried out, and (e) a dual-signing system, in which the civil-works contract winner also signs an anticorruption contract with the employer is introduced.

Asset Management

31. HPG shall cause HCD to (i) prepare an asset management development plan, with the assistance of consultants engaged under the Project, which will establish a computerized database system and promote the use of modern equipment; and (ii) provide a training program to enhance staff skills at provincial, county, and township levels.