
GRANT NUMBER 0100-TIM(SF)

GRANT AGREEMENT
(Special Operations)
(Dili Urban Water Supply Sector Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

ASIAN DEVELOPMENT BANK

DATED 5 March 2008

GAS:TIM 38189

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 5 March 2008 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) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers dated February 2007, as amended from time to time;

(b) "CSD" means the Corporate Services Directorate of MOI or any successor thereto;

(c) "Dili Water Demand Management Task Force" means the task force to be established with support from TA 4869;

(d) "DNSAS" means the National Directorate for Water Supply and Sanitation of MOI or any successor thereto;

(e) "DPD" means the Development and Planning Division of DNSAS or any successor thereto;

(f) “DWSD” means the Dili Water and Sanitation Division of DNSAS or any successor thereto;

(g) “EARP” means the Environmental Assessment and Review Procedure prepared for the Project and approved by ADB;

(h) “EIA” means an environmental impact assessment to be prepared for the Subprojects by the Recipient and agreed by ADB;

(i) “EMMP” means an environmental management and monitoring plan;

(j) “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;

(k) “IBNet” means the global benchmarking program for water supply and sanitation utilities supported by the World Bank;

(l) “IEE” means an initial environmental examination prepared or to be prepared for the Subprojects by the Recipient and agreed by ADB;

(m) “Implementing Agency” means DNSAS as referred to in paragraph 2 of Schedule 4 to this Grant Agreement;

(n) “LARF” means the Land Acquisition and Resettlement Framework prepared for the Project and approved by ADB;

(o) “MOI” means the Recipient’s Ministry of Infrastructure or any successor thereto acceptable to ADB;

(p) “Procurement Guidelines” means ADB’s Procurement Guidelines dated February 2007, as amended from time to time;

(q) “Procurement Plan” means the procurement plan for the Project dated 22 November 2007 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;

(r) “Project area” means Dili city water supply service area;

(s) “Project Executing Agency” for the purposes of, and within the meaning of, the Grant Regulations means MOI, which is responsible for the carrying out of the Project;

(t) “Project Team” means the Project team consisting of consultants as referred to in paragraph 3 of Schedule 4 to this Grant Agreement;

(u) “Project Team Leader” means a long-term international Project Team leader as referred to in paragraph 4 of Schedule 4 to this Grant Agreement;

(v) "SIP" means the Recipient's draft Water Supply and Sanitation Sector Investment Program (2008-2012);

(w) "SPAR" means a Subproject appraisal report;

(x) "Subproject" means a subproject selected and approved for financing under the Project in accordance with paragraphs 8, 9, and 10 of Schedule 4 to this Grant Agreement;

(y) "sub-zone" means a part of a water supply zone within the Project area;

(z) "TA 4869" means ADB-financed technical assistance to the Government of the Recipient for Dili Water Supply Performance Improvement, (2006);

(aa) "TA 4942" means ADB-financed technical assistance to the Government of the Recipient for Infrastructure Project Management, (2007);

(bb) "target zones" means 3 hydraulically defined water supply zones within the Project area; and

(cc) "Works" means construction, or installation, 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 six million Dollars (\$6,000,000).

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 and consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of

amounts of the Grant among different categories of such Goods, Works and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods, Works and consulting services shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from and 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 2011 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), 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, 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

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2442.

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 
EMÍLIA PIRES
Minister of Finance

ASIAN DEVELOPMENT BANK

By 
HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

1. The intended impact of the Project is improved water supply services for households, businesses and institutions in the Project area. The intended outcome of the Project is improved hydraulic management of the water supply system and more efficient tertiary distribution in the Project area.

2. The Project scope shall comprise the following:

Part 1: Sub-Zone Water Supplies

- (i) Plan, design and implement leak detection; carry out reduction and control program together with the Dili Water Demand Management Task Force and help DNSAS recruit and train 3 leak detection teams;
- (ii) Provide necessary materials and carry out Works for inspection, repair or replacement of faulty distribution valves and bulk meters;
- (iii) Create physical zones and sub-zones by installing valves and other works;
- (iv) Connect unserved households and businesses; and
- (v) Inspect, replace or install meters on all authorized connections in target zones.

Part 2: City-Wide Water Supplies

- (i) Identify and repair visible leaks and open pipe discharges;
- (ii) Inspect, replace or install meters on all authorized commercial and bulk connections;
- (iii) Repair or replace unserviceable chlorination equipment at groundwater sources; and
- (iv) Relocate existing water service connections to allow the disconnection of old leaking water mains.

Part 3: Capacity Building

- (i) Provide formal training and on-the job training for leak detection teams; and
- (ii) Provide ongoing support and on-the job training in distribution planning and management.

3. The Project is expected to be completed by 30 November 2010. The Project includes the provision of consulting services.

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.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories 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" dated January 2007, as amended from time to time ("ADB's *Loan Disbursement Handbook*").

Schedule 2Imprest Account

5. Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with 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 not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six (6) months of Project implementation, or (ii) the equivalent of \$100,000. The imprest account shall be used only to finance reasonable and eligible expenditures for (i) leak detection and repair works; (ii) installation of valve covers, marker posts, meter chambers, valves, meters, sundry repair and replacement works, and installation of chlorination equipment; and (iii) project management and capacity development.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Dili Urban Water Supply Sector Project)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated \$ Category	Percentage and Basis for Withdrawal from the Grant Account
1	Works	1,731,000	63 percent of total expenditure
2	Equipment	1,925,000	88 percent of total expenditure
3	Environmental Management and Monitoring Plans	24,000	100 percent of total expenditure*
4	Consulting Services	1,709,000	100 percent of total expenditure*
5	Training	50,000	100 percent of total expenditure*
6	Unallocated	561,000	
	Total	6,000,000	

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

SCHEDULE 3

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

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

B. Procurement of 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

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 or clarifications shall become effective only after written approval of such change by the Recipient and ADB.

C. Selection of Consulting Services

6. 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.

D. Industrial or Intellectual Property Rights

7. (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.

8. 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.

E. ADB's Review of Procurement Decisions

9. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

SCHEDULE 4

Execution of Project: Other Matters

Project Executing Agency

1. As the Project Executing Agency, MOI shall be responsible for the overall Project execution and management.

Project Implementing Agency

2. DNSAS shall be the Implementing Agency, responsible for the day-to day Project implementation.

Project Team

3. The Recipient, through MOI, shall arrange the Project Team to be located in CSD and in DNSAS, and shall provide office accommodation for all members of the Project Team. The Project Team shall comprise: (i) two (2) water supply engineers (including the Project Team Leader); (ii) two (2) financial management specialists; and (iii) two (2) monitoring and evaluation specialists. Water supply engineers shall be responsible for undertaking planning, preparing bid documents and managing contracts and shall be located in DWSD. Monitoring and evaluation specialists shall be located in DPD. Financial management specialists shall be located in CSD. The procurement specialist engaged under the TA 4942 shall help Procurement Division of CSD and the Project Team undertake procurement under the Project. The Recipient shall ensure close cooperation between the Project Team and MOI/DNSAS staff, including provision of all necessary data and information to the Project Team in a timely manner.

Project Team Leader

4. The Project Team Leader shall be located within DWSD. The Project Team Leader shall be responsible for coordinating all Project inputs and shall oversight and contribute to (i) bidding processes, (ii) contract management, (iii) implementation progress monitoring, (iv) preparation of withdrawal applications, (v) preparation of Project progress reports and Project completion report, (vi) maintenance of Project accounts and financial records for auditing, and (vii) monitoring the Project's socioeconomic impacts. The Project Team Leader shall report to the Director of DNSAS and to the Director of CSD.

Counterpart Financing

5. The Recipient shall make available on a timely basis an amount equivalent to one million five hundred thousand Dollars (\$1,500,000) from its ordinary budgetary allocations as counterpart financing to ensure timely completion of the Project.

Construction Quality

6. The Recipient, through the Project Team, shall ensure that all Project water supply facilities are rehabilitated and improved 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.

Environment

7. The Recipient, through DNSAS, shall ensure that for every Subproject: (a) an IEE, EIA, as necessary, and EMMP are prepared in accordance with the EARP, consistent with (i) ADB's *Environment Policy* (2002), and (ii) applicable environmental laws, regulations, and guidelines of the Recipient, as and when such laws, regulations, and guidelines are adopted and become effective; and (b) the EMMP in the IEE is part of the bidding documents and Works contracts; (c) any adverse environmental impacts arising from the Project are to be minimized by implementing the agreed mitigation measures; and (d) the environmental monitoring is done properly by the construction supervision team. Prior to signing of Works contract under the Subproject and the commencement of Works, MOI shall submit to ADB for review and approval on a no-objection basis, the IEE related to the Subproject.

Subproject Preparation, Selection and Approval

8. The Recipient shall ensure that all Subprojects are prepared, selected and submitted for approval by ADB in accordance with the eligibility criteria and procedures agreed between the Recipient and ADB, in particular, each Subproject shall meet the following criteria:

- (i) Subproject is consistent with the SIP and is identified by DNSAS as a high priority;
- (ii) Subproject is technically feasible and meets the Recipient's technical standards and requirements;
- (iii) Subproject is justified as the most feasible subproject to achieve the stated objectives and is shown to be designed to minimize costs;
- (iv) Subproject does not have land acquisition or resettlement impacts. In the event land acquisition or resettlement is unavoidable, the Recipient shall (a) prepare a resettlement plan in accordance with ADB's *Involuntary Resettlement Policy* (1995) and the LARF; and (b) submit the resettlement plan to ADB for approval;
- (v) ADB determines that DNSAS has necessary staff, implementation and financial management capacity to implement the Subproject, or that DNSAS can provide specific assurances that assessed short comings can be rectified by adding qualified staff, or by providing timely in-service training for existing staff;

Schedule 4

- (vi) Subproject's implementation timeframe is reasonable, and surveys and design can be prepared, reviewed, safeguard procedures and other procedures followed with implementation able to be completed within the Project period;
- (vii) the financing plan for the Subproject clearly identifies confirmed sources of financing, including counterpart financing, and includes the provision of budgetary resources to meet: (a) counterpart funding requirements for capital expenditure during the implementation phase, (b) environmental management costs, and (c) routine operations costs;
- (viii) Subproject does not have an adverse impact on DNSAS' ability to meet financial and other covenants of this Grant Agreement; and
- (ix) all required approvals of the Recipient are obtained.

In addition to the above, each Subproject shall meet the following environmental criteria:

- (i) Subproject is not located in nature reserves;
- (ii) Subproject does not involve any significant loss of primary forest, mangroves or sensitive wetland;
- (iii) Subproject does not involve any permanent negative effect on known rare or endangered species;
- (iv) Subproject does not involve significant impacts on air quality and water quality;
- (v) Subproject does not involve any permanent damage to irreplaceable cultural relics and archaeological sites; and
- (vi) Subproject does not require a preparation of the full EIA.

9. DPD shall identify and select proposed Subprojects in accordance with the eligibility criteria agreed between ADB and the Recipient and obtain DNSAS's approval to assess the feasibility of the proposed Subprojects. DNSAS shall prepare an SPAR for each proposed Subproject. SPAR shall include:

- (i) technical analysis and description;
- (ii) subproject rationale;
- (iii) scope and components;
- (iv) cost estimates and financing plan;
- (v) implementation arrangements;
- (vi) an initial environmental examination; and
- (vii) a resettlement plan, if required.

10. The Recipient shall ensure that DNSAS submits a SPAR for each proposed Subproject to ADB and obtains ADB's approval on a no-objection basis before proceeding with detailed engineering design and construction of the Subproject. Each SPAR shall be submitted to ADB for review and approval on a no-objection basis and shall contain sufficient

evidence of the proposed Subproject's eligibility under the criteria agreed between the Recipient and ADB, and shall be prepared in accordance with the detail and quality required to enable ADB to assess the viability and suitability of the Subproject. After ADB's endorsement of the SPAR, DNSAS shall submit the SPAR to the Secretary of State of MOI for review and approval.

Subproject Works

11. The Recipient shall ensure that (a) all Works under the Subprojects are undertaken within existing water supply facility sites, easements, and public rights-of-way; (b) no land acquisition or resettlement is required for any proposed Subproject and Subprojects are screened in view of potential resettlement impacts in line with the LARF. If land acquisition or involuntary resettlement becomes unavoidable, the Recipient shall (a) prepare a resettlement plan in accordance with ADB's *Involuntary Resettlement Policy* (1995) and the LARF; (b) submit such resettlement plan to ADB for approval prior to Works contract award; and (c) ensure that payment of compensation or relocation to new sites have been satisfactorily completed prior to land acquisition activities and demolition. The Recipient shall ensure that the resettlement plan includes detailed measurement surveys, compensation unit rates based on replacement cost surveys for all categories of losses and allowances, and a final database of affected persons. The Recipient shall also ensure that timely and adequate budgetary support is fully committed and made available to cover the costs of land acquisition, resettlement and relocation within the Project implementation period.

Retention of Project Staff

12. The Recipient shall cause MOI to retain as regular or contractual staff of DNSAS, or contract through a firm or non-government organization, all nine (9) members of the three (3) leak detection teams and all six (6) sub-zone caretakers (1 sub-zone caretaker for approximately every 1,000 connections throughout the Project area) recruited and trained under TA 4869, provided that those retained shall have performed their duties satisfactorily.

Operations and Maintenance Budget

13. The Recipient shall make timely budgetary allocations to DNSAS for costs related to the sub-zone operations and maintenance, estimated at seventeen thousand Dollars (\$17,000) per annum per sub-zone.

DNSAS Institutional Development

14. The Recipient shall approve, by 30 November 2009, a ministerial order setting out a roadmap for organizing DNSAS into an independent public entity, with appropriate management, technical, and financial autonomy.

DNSAS Revenue Performance

15. The Recipient shall ensure that, by 31 December 2009, DNSAS has reinstituted its revenue improvement program, with a target to increase during fiscal year 2010 the number of billed customers by a minimum twenty percent (20%) and the amount of gross water supply revenue by thirty percent (30%). The Recipient shall ensure that the Dili

Water Demand Management Task Force is mandated to carry on reducing non-revenue water in other water zones in the Project area.

DNSAS Performance Benchmarking

16. The Recipient shall ensure that, by 30 November 2009, DNSAS has instituted a performance benchmarking program preferably in association with the IBNet.

Public Consultation and Participation

17. The Recipient shall ensure that: (a) adequate public consultations are conducted with local communities on certain aspects of the Project during implementation, including but not limited to the arrangements for bill paying and provision of water for houses without direct street access; (b) all reasonable and necessary steps are taken to encourage women living in the Project area to participate in the design, preparation and implementation of Subprojects; and (c) women are primary targets for any community-based promotion activities, including but not limited to activities designed to promote good water use behavior.

Labor Standards

18. The Recipient shall ensure that all Works contracts incorporate provisions to ensure that contractors comply with the Recipient's applicable labor laws and regulations. In particular, all Works contractors engaged for Subprojects shall be required to (a) provide equal employment opportunity to male and female employees; (b) provide equal pay to male and female employees for work of equal value; and (c) not employ child labor in Works under Subprojects.

Anticorruption

19. The Recipient, through MOI and DNSAS, shall comply with ADB's *Anticorruption Policy* (1998, as amended to date). Consistent with its commitment to good governance, accountability and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project. To support these efforts, the Recipient shall (a) include relevant provisions of ADB's *Anticorruption Policy* in all bidding documents for the Project; and (b) include provisions in contracts financed by ADB in connection with the Project specifying the right of ADB to audit and examine the records and accounts of MOI, DNSAS, all contractors, suppliers, consultants and other service providers as they relate to the Project.

Project Performance Monitoring and Evaluation

20. The Recipient, through the Project Team, assisted by the international and national consultants engaged under the Project, shall monitor and evaluate Project impacts. The Recipient shall discuss and agree with ADB on the indicators and baseline data prepared by these consultants prior to the commencement of Works, and shall ensure that the consultants monitor and compare the data during Project implementation and at Project completion. To the extent possible, the indicators and baseline data shall make full use of gender-disaggregated data and information.

21. The Recipient, through MOI, shall establish a Project performance monitoring system (PPMS) to facilitate the reporting requirements. The PPMS shall assess progress and implementation of the Project, including compliance with EMMPs for Subprojects and compliance with covenants of this Grant Agreement. In conjunction with TA 4869, the PPMS shall assist DNSAS in monitoring its operational efficiency, and financial position and projections to enable performance benchmarking against other utilities.

Project Reviews

22. The Project shall be reviewed every six (6) months. Each review shall cover all institutional, administrative, organizational, technical, environmental, social, economic, financial and other relevant aspects that may have an impact on the performance of the Project and its continuing viability. MOI shall undertake joint mid-term review with ADB approximately fourteen (14) months after the start of the Project implementation.