
LOAN NUMBER 3465-LAO(SF)

GRANT NUMBER 0516-LAO(SF)

FINANCING AGREEMENT
(Special Operations)

(Greater Mekong Subregion Health Security Project)

(Lao Component)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 03 FEB 2017

LAO 48118

**FINANCING AGREEMENT
(Special Operations)**

FINANCING AGREEMENT dated _____ between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Beneficiary") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Beneficiary has applied to ADB for a loan and a grant for the purposes of the Project described in Schedule 1 to this Financing Agreement;

(B) the Kingdom of Cambodia has applied to ADB for a loan for the purpose of carrying out the activities described in a Loan Agreement between the Kingdom of Cambodia and ADB;

(C) the Republic of the Union of Myanmar has applied to ADB for a loan and a grant for the purpose of carrying out the activities described in Financing Agreement between the Republic of the Union of Myanmar and ADB;

(D) the Socialist Republic of Viet Nam has applied to ADB for a loan for the purpose of carrying out the activities described in a Loan Agreement between the Socialist Republic of Viet Nam and ADB; and

(E) ADB has agreed to provide financing by making a loan and a grant to the Beneficiary from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations and Grant Regulations; Definitions

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

(a) The term "Loan Agreement", wherever it appears in the Loan Regulations, shall be substituted by the term "Financing Agreement".

(b) The term "Borrower", wherever it appears in the Loan Regulations, shall be substituted by the term "Beneficiary" as defined in the opening paragraph of this Financing Agreement.

Section 1.02. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 ("Grant Regulations"), are hereby made applicable to this Financing Agreement for purposes of the Grant with the same force and effect as if they were fully set forth herein subject, however, to the following modifications:

(a) The term "Grant Agreement", wherever it appears in the Grant Regulations, shall be substituted by the term "Financing Agreement".

(b) The term "Recipient", wherever it appears in the Grant Regulations, shall be substituted by the term "Beneficiary" as defined in the opening paragraph of this Financing Agreement.

Section 1.03. Wherever used in this Financing Agreement, the several terms defined in the Loan Regulations and the Grant Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Financing Agreement have the following meanings:

(a) "CDC" means the communicable diseases control;

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

(c) "Consulting Services" means the services to be financed out of the proceeds of the Loan to support carrying out the Project activities as described in Schedule 1 to this Loan Agreement;

(d) "EGDP" means the ethnic group development plan for the Project, including any update thereto, prepared and submitted by the Beneficiary and cleared by ADB;

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

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

(g) "GAP" means a gender action plan for the Project, prepared and submitted by the Beneficiary and cleared by ADB;

(h) "GMS" means the Greater Mekong Subregion;

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

(j) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

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

(l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(m) "MEV" means mobile populations, ethnic groups and vulnerable groups;

(n) "MOH" means the Beneficiary's Ministry of Health, or any successor thereto;

(o) "PAM" means the project administration manual for the Project dated 16 September 2016 and agreed between the Beneficiary and ADB, as updated from time to time in accordance with the respective administrative procedures of the Beneficiary and ADB;

(p) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(q) "Procurement Plan" means the procurement plan for the Project dated 16 September 2016 and agreed between the Beneficiary and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(r) "Project facilities" means facilities to be constructed, procured, rehabilitated and/or maintained under the Project;

(s) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(t) "Safeguards Monitoring Report" means each report prepared and submitted by the Beneficiary to ADB that describes progress with implementation of, and compliance with, the EMP and the EGDP (as applicable), including any corrective and preventative actions;

(u) "WHO" means the World Health Organization; and

(v) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan and the Grant

Section 2.01. ADB agrees to provide to the Beneficiary from ADB's Special Funds resources, on terms and conditions set forth in this Financing Agreement:

- (a) a loan in various currencies equivalent to two million eight hundred fifty-six thousand Special Drawing Rights (SDR2,856,000) ("Loan"); and
- (b) a grant in the amount of eight million Dollars (\$8,000,000) ("Grant").

Section 2.02. (a) The Beneficiary shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Financing Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.04. The Beneficiary shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Financing Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Section 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan and the Grant

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

Section 3.02. The proceeds of the Loan and the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Financing Agreement, as such Schedule 3 may be amended from time to time by agreement between the Beneficiary and ADB.

Section 3.03. Except as ADB may otherwise agree, the Beneficiary shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan and the Grant in accordance with the provisions of Schedule 4 to this Financing Agreement.

Section 3.04. Withdrawals from the Loan Account and 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 Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 September 2022, and the Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 September 2022 or, in each case, such other date as may from time to time be agreed between the Beneficiary and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Beneficiary shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Financing Agreement.

Section 4.02. (a) The Beneficiary shall (i) maintain separate accounts and records for the Project, including separate accounts and records for the Loan and Grant; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 9 months after the end of each related fiscal year for the first two fiscal years after the Effective Date and 6 months after the end of each related fiscal year thereafter, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

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

Section 4.03. The Beneficiary shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Financing Agreement is specified for the effectiveness of the Financing Agreement for the purposes of Section 9.04 of the Loan Regulations and Section 9.04 of the Grant Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Beneficiary is designated as representative of the Beneficiary for the purposes of Section 11.02 of the Loan Regulations and Section 11.02 of the Grant Regulations.

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

For the Beneficiary

Ministry of Finance
23rd Singha Road
P.O. Box 46
Vientiane Capital
Lao People's Democratic Republic

Facsimile Numbers:

(856-21) 412142

(856-21) 911611

For ADB

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

Facsimile Numbers:

(632) 636-2444

(632) 636-2305.

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

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By 

H.E. THIPPHAKONE CHANTHAVONGSA
Deputy Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

STEVEN SCHIPANI
Officer-in-Charge
Lao Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve GMS public health security system performance.

2. The Project shall comprise the following outputs:

Output 1. Improved GMS cooperation and CDC in border areas: Strengthening (a) regional, cross-border, and inter-sectoral information sharing and coordination of outbreak control among GMS countries, (b) regional capacity for evidence-based CDC, (c) development of better disease control strategies for MEVs in border areas, and (d) improved CDC services for MEVs in hotspots along economic corridors in targeted border areas, through support for information exchange, intersectoral collaboration, simulation exercises, joint outbreak control, strategic planning for MEV disease control strategies in border areas, outreach to MEVs, and improving access of MEVs to CDC.

Output 2. Strengthened national disease surveillance and outbreak response systems: Supporting (a) syndromic reporting at community level, (b) web-based reporting, (c) linking of disease surveillance systems, including linking clinical and laboratory surveillance, (d) improving capacity for risk analysis, risk communication, and community preparedness, (e) improving capacity of outbreak response teams including transport and equipment, and (f) improving screening and quarantine capacity at border points of entry and quarantine centers, through providing expertise for system design, capacity building, information technology equipment, vehicles, and equipment for screening and outbreak control.

Output 3. Improved laboratory services and hospital infection prevention and control: Carrying out (a) staff training for provincial and district hospitals for internal quality improvement, (b) preparing standard operating procedures, (c) providing basic equipment, supplies and minor repairs for laboratories and schools, (d) setting up external quality assurance and audit system for compliance with national biosafety and quality guidelines, and (e) setting up laboratory networks.

3. The Project is expected to be completed by 31 March 2022.

SCHEDULE 2

Amortization Schedule

(Greater Mekong Subregion Health Security Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 May 2025	59,500
15 November 2025	59,500
15 May 2026	59,500
15 November 2026	59,500
15 May 2027	59,500
15 November 2027	59,500
15 May 2028	59,500
15 November 2028	59,500
15 May 2029	59,500
15 November 2029	59,500
15 May 2030	59,500
15 November 2030	59,500
15 May 2031	59,500
15 November 2031	59,500
15 May 2032	59,500
15 November 2032	59,500
15 May 2033	59,500
15 November 2033	59,500
15 May 2034	59,500
15 November 2034	59,500
15 May 2035	59,500
15 November 2035	59,500
15 May 2036	59,500
15 November 2036	59,500
15 May 2037	59,500
15 November 2037	59,500
15 May 2038	59,500
15 November 2038	59,500
15 May 2039	59,500
15 November 2039	59,500
15 May 2040	59,500
15 November 2040	59,500
15 May 2041	59,500
15 November 2041	59,500
15 May 2042	59,500
15 November 2042	59,500
15 May 2043	59,500
15 November 2043	59,500
15 May 2044	59,500
15 November 2044	59,500
15 May 2045	59,500

Schedule 2

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Special Drawing Rights)*</u>
15 November 2045	59,500
15 May 2046	59,500
15 November 2046	59,500
15 May 2047	59,500
15 November 2047	59,500
15 May 2048	59,500
15 November 2048	59,500
TOTAL	2,856,000

* The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3

Allocation and Withdrawal of Loan and Grant Proceeds

General

1. The tables attached to this Schedule set forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the Grant. Table 1 sets forth the allocation of the Loan proceeds to each such Category. Table 2 sets out the allocation of the Grant proceeds to each such Category (Reference to "Category" in this Schedule is to a Category or Subcategory of Table 1 and Table 2, respectively.)

Basis for Withdrawal from the Loan and Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Loan and the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in Table 1 and Table 2, respectively.

Interest Charge

3. The amount allocated to Category 5 of Table 1 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of the Loan proceeds and the Grant proceeds and the withdrawal percentages set forth in Table 1 and Table 2, respectively,

- (a) if the amount of the Loan or the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Beneficiary, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan or 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 Loan or the Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Beneficiary, reallocate such excess amount to any other Category.

Disbursement Procedures

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

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Greater Mekong Subregion Health Security Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Facility Repair and Maintenance	71,000	100% of total expenditure claimed
2	Equipment	1,642,000	100% of total expenditure claimed*
3	Trainings and Workshops	429,000	100% of total expenditure claimed
4	Project Management	143,000	100% of total expenditure claimed
5	Recurrent Cost	214,000	100% of total expenditure claimed
6	Interest Charge	71,000	100% of amount due
7	Unallocated	286,000	
	Total	2,856,000	

* Tax exemption will be provided for this Category.

TABLE 2

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Greater Mekong Subregion Health Security Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Vehicles	600,000	100% of total expenditure claimed*
2	Consulting Services	1,200,000	100% of total expenditure claimed
3	Trainings and Workshops	1,500,000	100% of total expenditure claimed
4	Community Mobilization	1,700,000	100% of total expenditure claimed
5	Project Management	1,000,000	100% of total expenditure claimed
6	Recurrent Cost	1,700,000	100% of total expenditure claimed
7	Unallocated	300,000	
	Total	8,000,000	

* Tax exemption will be provided for this Category.

SCHEDULE 4**Procurement of Goods, Works and Consulting Services**General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Beneficiary may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.
3. All terms used in this Schedule and not otherwise defined in this Financing Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

4. Goods and Works shall be procured on the basis of the procurement methods set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) Shopping.

Domestic Preference

5. The Beneficiary 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.

National Competitive Bidding

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

Conditions for Award of Contract

7. The Beneficiary shall not award any Works contracts until:

- (a) obtained the final approval of the IEE from the Beneficiary's Ministry of Natural Resources and Environment; and
- (b) incorporated the relevant provisions from the EMP into the Works contract.

Consulting Services

8. Except as set forth in the paragraph below, the Beneficiary shall apply Quality- and Cost-Based Selection for Consulting Services.

9. The Beneficiary shall apply the following selection methods for the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

- (a) Fixed Budget Selection for Improvement of software for surveillance integration; and
- (b) Consultants' Qualifications Selection for financial management.

10. The Beneficiary shall recruit the individual consultants for areas as set forth in the Procurement Plan in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

11. (a) The Beneficiary 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 Beneficiary shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

12. The Beneficiary shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

13. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Beneficiary and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project; Environmental, Social, Financial and Other Matters

Implementation Arrangements

1. The Beneficiary shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Beneficiary and ADB. In the event of any discrepancy between the PAM and this Financing Agreement, the provisions of this Financing Agreement shall prevail.
2. The Beneficiary shall ensure that the Project is supported by professionally skilled personnel, and is provided with reasonable office space, equipment and adequate financial resources required throughout the Project implementation, all in a timely manner. In particular, the Project staffing shall include (a) Project director and deputy directors for Project management, (b) lab technicians for district laboratories, (c) infection prevention and control in district hospitals nurses and doctors, and (d) nurses, and lab technicians for outbreak rapid response teams.

Regional Cooperation

3. The Beneficiary, through MOH, shall realign and implement its own strategies for disease control and cooperation/coordination with neighboring countries based on WHO regional disease control strategies for emerging and neglected diseases. The Beneficiary, through MOH, shall further ensure that any information regarding CDC will be exchanged with neighboring countries in a smooth and timely manner through MOH's regional focal point.

Mainstreaming the Project in the Provincial Annual Operational Plan and Budget

4. The Provincial Health Department of each Project province shall submit to MOH the provincial annual operational plans and budgets for the health sector, including the annual provincial work plans for the Project as part of the provincial annual operational plan and budget, all based on a format agreed to by the concerned parties, as a basis for allocating funds and monitoring performance, and MOH shall inform to ADB the approval of such annual plans. In particular, the provincial annual operational plans for the health sector shall include plans and budgets for in-service training activities for CDC, cross-border cooperation, reaching remote communities with CDC, and implementation of gender and ethnic group plans under the Project.

Environment

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

6. The Beneficiary shall ensure that health facility waste management in health facilities supported under the Project is carried out as per health care waste management guidelines developed by WHO, and that adequate budget, training, and supplies are provided under the Project to do so.

7. The Beneficiary shall (a) ensure that the Project will not support hospitals and laboratories which do not have adequate solid waste management and wastewater treatment facilities, and plans for upgrading such facilities to the required standard; and (b) take appropriate measures to keep complying with the Beneficiary's national standards in the hospitals and laboratories supported by the Project.

Resettlement

8. The Beneficiary shall ensure that the Project does not have any involuntary resettlement impacts, all within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impact, the Beneficiary shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Beneficiary and with the Safeguard Policy Statement.

Ethnic Groups

9. The Beneficiary shall ensure that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Beneficiary relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the respective EGDP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

10. The Beneficiary shall make available necessary budgetary and human resources to fully implement the EMP and EGDP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

11. The Beneficiary shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, the EMP and the EGDP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures; and
- (c) provide the Beneficiary with a written notice of any unanticipated environmental or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP or the EGDP.

Safeguards Monitoring and Reporting

12. The Beneficiary shall do the following:
- (a) submit annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP or the EGDP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
 - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the EGDP promptly after becoming aware of the breach.

Prohibited List of Investments

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

Labor Standards, Health and Safety

14. The Beneficiary shall ensure that the core labor standards and the Beneficiary's applicable laws and regulations are complied with during Project implementation. The Beneficiary shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Beneficiary's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) do not restrict the workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women. The Beneficiary shall strictly monitor compliance with the requirements set forth in this paragraph and provide ADB with regular reports.

Gender and Development

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

Counterpart Support

16. The Beneficiary shall ensure that MOH has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Consulting Services contract.

Financial management

17. The Beneficiary shall ensure that a sound financial management system is in place during the Project implementation. In particular, the Beneficiary shall (a) within 3 months of the Effective Date, recruit national consultants for financial management, acceptable to ADB; (b) within 6 months of the Effective Date, carry out staff training on ADB's procedures for financial management and procurement; (c) within 6 months of the Effective Date, prepare manual and guidelines on procurement and financial management, and train project staff to use the manuals; and (d) within 1 year of the Effective date, start organizing regular internal control of the Project.

Integrated Project Management

18. The Beneficiary shall ensure that Project activities, to the extent possible, are integrated in MOH in such areas as joint reviews, and sharing of information, know-how and staff among different Outputs, and shall cause each Project province to ensure that all Project activities implemented in the relevant Project province are mainstreamed and sustained.

Governance and Anticorruption

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

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

21. The Beneficiary shall disclose, through the existing website, accessible by the general public, information about various matters concerning the Project, including general Project information, procurement, Project progress, and contact details in the English and Lao languages. The website shall also provide a link to ADB's Integrity Unit (<http://www.adb.org/Integrity/complaint.asp>) for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and Project activities. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of Goods, Works and Consulting Services procured.