
LOAN NUMBER 2858-TIM (SF)

LOAN AGREEMENT
(Special Operations)
(Road Network Upgrading Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

ASIAN DEVELOPMENT BANK

DATED 2 MAY 2012

TIM 45094

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 2 May 2012 between DEMOCRATIC REPUBLIC OF TIMOR-LESTE ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) by an agreement of even date herewith entered between ADB and the Borrower ("Ordinary Operations Loan Agreement"), ADB has agreed to provide to the Borrower a loan from ADB's ordinary capital resources for an amount of thirty million eight hundred fifty thousand Dollars (\$30,850,000);

(C) the Project will be carried out by the Conselho de Administracao do Fundo Infraestrutura ("CAFI") with the assistance of the Ministry of Infrastructure ("Mol"), and for this purpose the Borrower will make available to Mol the proceeds of the loan provided for herein;

(D) ADB has agreed to make a loan to the Borrower 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; 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 Loan Agreement with the same force and effect as if they were fully set forth herein:

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

(a) "CAFI" means the Borrower's Conselho de Administracao do Fundo Infraestrutura as defined in, and with the functions and powers given to it under, the Borrower's national legislation;

(b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(c) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 2 Part E of Schedule 1 to this Loan Agreement;

(d) “Environmental Assessment and Review Framework” or “EARF” means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

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

(g) “Gender Action Plan” means a gender action plan prepared for the Project and agreed between the Borrower and ADB;

(h) “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;

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

(j) “Initial Environmental Examination” or “IEE” means each initial environmental examination for the Project, including any updates thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(k) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(l) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2007, as amended from time to time);

(m) “MoF” means the Borrower’s Ministry of Finance;

(n) “Mol” means the Borrower’s Ministry of Infrastructure;

(o) “Ordinary Operations Loan Agreement” has the meaning given in Recital B above;

(p) “PAM” means the project administration manual for the Project dated 22 February 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(q) “PMU” means the project management unit under the Mol;

(r) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(s) “Procurement Plan” means the procurement plan for the Project dated 23 February 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(t) “Project Executing Agency” for the purpose of and within the meaning of the Loan Regulations means CAFI or any successor thereto acceptable to ADB, which is responsible for carrying out the Project;

(u) “Project facilities” means roads and other infrastructures to be constructed under the Project;

(v) “Resettlement Framework” or “RF” means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(w) “Resettlement Plan” or “RP” means any resettlement plan for the Project, including any updates thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;

(x) “Safeguard Policy Statement” or “SPS” means ADB’s Safeguards Policy Statement (2009);

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

(z) “SDP” means the Borrower’s Strategic Development Plan 2011-2030;
and

(aa) “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

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to five million nine hundred five thousand Special Drawing Rights (SDR5,905,000).

Section 2.02. (a) The Borrower 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 subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

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

Section 2.04. The Borrower 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 Loan 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 Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

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

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

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

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

Section 3.05. Withdrawals from the Loan 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 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2017 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

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

Section 4.02. (a) The Borrower 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 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 Loan proceeds and compliance with the financial covenants of this Loan 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 Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to subsection (a) hereinabove, 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 Borrower unless the Borrower shall otherwise agree.

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

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower shall have failed to perform any of its obligations under the Ordinary Operations Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Ordinary Operations Loan Agreement shall have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and all conditions precedent to its effectiveness, other than a condition requiring effectiveness of this Loan Agreement, shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Ordinary Operations Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

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

Facsimile Number:

+670 332-1339.

For ADB

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

Facsimile Numbers:

+63 2 636-2444
+63 2 636-2446.

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

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

By 

EMILIA PIRES
Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

HARUHIKO KURODA
President

SCHEDULE 1**Description of the Project**

1. The objective of the Project is the provision of a more reliable and safer road network.
2. The Project shall comprise:
 - Part A. Upgrading and climate proofing of the following roads: (a) Dili to Liqica (28.6 kilometers), and (b) Tibar to Gleno (31 kilometers), both priority national roads identified in the SDP.
 - Part B. Completion of a feasibility study and detailed design for the road from Manatuto to Natarbora (81 kilometers).
 - Part C. Introduction of performance-based road maintenance program for the upgraded roads, including by requiring the Works contractors to maintain the upgraded roads for 2 years after physical completion.
 - Part D. Raising awareness of road safety and transport-related social issues, including by implementing a community-based road safety awareness program, education program, and an HIV/AIDS prevention program.
 - Part E. Consulting services to strengthen the PMU for the efficient management of the Project.
3. The Project is expected to be completed by 30 December 2016.

SCHEDULE 2**Amortization Schedule****(Road Network Upgrading Project)**

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
15 September 2020	123,021
15 March 2021	123,021
15 September 2021	123,021
15 March 2022	123,021
15 September 2022	123,021
15 March 2023	123,021
15 September 2023	123,021
15 March 2024	123,021
15 September 2024	123,021
15 March 2025	123,021
15 September 2025	123,021
15 March 2026	123,021
15 September 2026	123,021
15 March 2027	123,021
15 September 2027	123,021
15 March 2028	123,021
15 September 2028	123,021
15 March 2029	123,021
15 September 2029	123,021
15 March 2030	123,021
15 September 2030	123,021
15 March 2031	123,021
15 September 2031	123,021
15 March 2032	123,021
15 September 2032	123,021
15 March 2033	123,021
15 September 2033	123,021
15 March 2034	123,021
15 September 2034	123,021
15 March 2035	123,021
15 September 2035	123,021
15 March 2036	123,021
15 September 2036	123,021
15 March 2037	123,021
15 September 2037	123,021
15 March 2038	123,021
15 September 2038	123,021
15 March 2039	123,021
15 September 2039	123,021

15 March 2040	123,021
15 September 2040	123,021
15 March 2041	123,021
15 September 2041	123,021
15 March 2042	123,021
15 September 2042	123,021
15 March 2043	123,021
15 September 2043	123,021
15 March 2044	123,013
TOTAL	5,905,000

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table").

Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest Charge

3. The amount allocated to Category 4 is for financing the interest charge on the Loan during the implementation period of the Project. Until such time that the amount allocated to Category 4, including any future reallocations, is exhausted, ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charges.

Reallocation

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

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may in agreement with the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan 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 allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in agreement with the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

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

Imprest Account and Statement of Expenditures

6. Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The imprest account shall only be used for the purposes of the Project. The currency of the imprest account shall be the Dollar. The ceiling for the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first 6 months of Project implementation, or (ii) the equivalent of 10% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Road Network Upgrading Project)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Percentage and Basis for Withdrawal from the Loan Account*
1	Works	3,704,000	15.46% of total expenditure claimed
2	Consulting Services	1,162,000	100% of total expenditure claimed
3	Equipment	65,000	100% of total expenditure claimed
4	Interest Charge	77,000	100% of amounts due
5	Unallocated	897,000	
	Total	5,905,000	

*inclusive of taxes and duties imposed within the territory of the Borrower

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

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
 - (a) International Competitive Bidding; and
 - (b) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower 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.

Conditions for Award of Contract

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

Consulting Services

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

Industrial or Intellectual Property Rights

9. (a) The Borrower 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 Borrower 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.

10. The Borrower 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

11. 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 Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower and the Project Executing Agency 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 Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Environment

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

Land Acquisition and Involuntary Resettlement

3. The Borrower shall ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

4. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

Indigenous Peoples

5. The Borrower shall ensure that the Project does not have any indigenous peoples impacts within the meaning of Safeguard Policy Statement. In the event that the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower, the Safeguard Policy Statement and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

6. The Borrower shall make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

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

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, and the RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in the Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the RP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

8. The Borrower shall do the following:

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

Prohibited List of Investments

9. The Borrower 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

10. The Borrower shall ensure that all Works contract documents to be prepared under the Project incorporate provisions and budget to the effect that contractors (i) comply with all applicable labor laws and related international treaty obligations of the Borrower and do not employ child labor, as defined under Timor-Leste law; (ii) provide safe working conditions for male and female workers; (iii) carry out HIV/AIDS and human trafficking prevention and awareness campaigns in the campsites and corridors of influence; (iv) engage women workers as wage laborers depending on their skills; and (v) provide equal wages for equal work between men and women.

Gender and Development

11. The Borrower shall ensure that the Gender Action Plan is fully implemented to achieve its targets, including on the involvement and participation of women in the upgrading of the project roads, expansion of the road maintenance program, raising awareness of road safety and potential transport related social problems, reducing vulnerability of project roads to climate change. The Project Executing Agency shall allocate resources, prepare any necessary manuals, conduct training, monitor implementation and ensure regular reporting on the implementation of the Gender Action Plan.

Counterpart Support

12. The Borrower shall make available adequate budgetary allocations of the required counterpart funds in respect of the Project on a timely and regular basis.

Governance and Anticorruption

13. The Borrower, the Project Executing Agency, and the implementing agency shall (i) 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 (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

14. The Borrower, the Project Executing Agency and the implementing agency 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.

15. The Project Executing Agency shall prepare and implement a robust code of conduct, acceptable to ADB, for its staff and for the staff of the implementing agency involved in the Project, ensuring, among others, that the staff members working with the Project do

not have any conflict of interest with any activities under the Project. The Borrower shall take necessary steps to further ensure that all applicable anticorruption laws of the Borrower which apply to public officers are vigorously enforced.

16. The Project Executing Agency shall announce the Project and business opportunities associated with the Project, as relevant, on their website. Such announcements, when dealing with contracts awarded, shall at least disclose: (a) the list of participating bidders, (b) the name of the winning bidder, (c) the amount of the contracts awarded, and (d) the services procured. In addition, the Project Executing Agency shall establish a system of handling complaints, acceptable to ADB, to deal with any complaints received in relation to the contracts, their awards and their administration.

Operation and Maintenance

17. The Borrower shall ensure that the Project Executing Agency will at all times have sufficient funds for its operation and maintenance costs, such costs to be determined on the basis of sound engineering principles acceptable to ADB, for all roads under its management.

Project Reviews

18. ADB shall conduct periodic reviews of the progress of the Project as necessary and undertake any necessary midcourse corrections. In addition, ADB shall conduct special reviews as appropriate. The Borrower shall give all possible assistance for carrying out such reviews.