
LOAN NUMBER 3702-NEP(COL)

LOAN AGREEMENT
(Ordinary Operations [Concessional])
(Disaster Resilience of Schools Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 20 NOVEMBER 2018

NEP 51190

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 20 November 2018 between NEPAL ("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 a grant agreement of even date herewith between the Borrower and ADB ("Grant Agreement"), ADB has agreed to make available to the Borrower a grant ("ADB Grant") in the amount of ten million Dollars (\$10,000,000) for the purpose of financing expenditures in connection with the Project;

(C) by an externally financed grant agreement of even date herewith between the Borrower and ADB ("Externally Financed Grant Agreement"), ADB has agreed to make available to the Borrower a grant ("CEF Grant") from the Clean Energy Fund under the Clean Energy Financing Partnership Facility in the amount of five million Dollars (\$5,000,000) for the purpose of financing expenditures as described in the Externally Financed Grant Agreement; and

(D) ADB has agreed to make a concessional loan ("Loan", and with the ADB Grant and CEF Grant, the "Financings") to the Borrower from ADB's ordinary capital 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 ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("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) "Central Level Project Implementation Unit (Education)" or "CLPIU (Education)" means the Borrower's Central Level Project Implementation Unit (Education) under NRA;

- (b) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Financings;
- (c) "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;
- (d) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (e) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (f) "Gender Action Plan" or "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;
- (g) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Financings, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (h) "Grievance Redress Mechanism" or "GRM" means the EA's grievance redress mechanism;
- (i) "Initial Environmental Examination" or "IEE" means the initial environmental examination for the Project or environmental due diligence report, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (j) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (k) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (l) "Ministry of Education, Science and Technology" or "MOEST" means the Borrower's Ministry of Education, Science and Technology, or any successor thereto;
- (m) "Ministry of Finance" or "MOF" means the Borrower's Ministry of Finance, or any successor thereto;
- (n) "National Reconstruction Authority" or "NRA" means the Borrower's National Reconstruction Authority or any successor thereto;

- (o) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (p) "PAM" means the project administration manual for the Project dated 23 July 2018 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) "Procurement Plan" means the procurement plan for the Project dated 23 July 2018 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (r) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (s) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (t) "Project Executing Agency" or "EA" means initially NRA, and upon expiration of NRA's mandate MOEST, or any successor thereto acceptable to ADB which acts as executing agency for the Project;
- (u) "Project Implementation Unit" or "PIU" means the Project's implementation unit, which shall, unless otherwise determined, at the central level be the CLPIU (Education);
- (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 the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;
- (x) "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, including any corrective and preventative actions;
- (y) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (z) "Services" means Consulting Services and Nonconsulting Services; and
- (aa) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Financings, including

any related Nonconsulting Services and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred forty-eight million eight hundred sixty-four thousand Dollars (\$148,864,000).

(b) The Loan has a principal repayment period of 24 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) 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 2.02. 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.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 January and 1 July 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 Dollars.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively 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. (a) Withdrawals from the Loan Account in respect of Goods, Works, and Services shall be made only on account of expenditures relating to:

- (i) Goods which are produced in and supplied from and Works 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
- (ii) Goods, Works, and Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

(b) For purposes of subparagraph (a)(ii), Works, Goods and Consulting Services may also be procured under the Project from non-member countries of ADB.

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 March 2023 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 4 to this Loan Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (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 6 months after the end of each related fiscal year, 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 Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower'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 Borrower, unless the Borrower shall otherwise agree.

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 Grant Agreement or the Externally Financed Grant 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 execution and delivery of the Grant Agreement and the Externally Financed Grant Agreement on behalf of the Borrower shall have been duly authorized or ratified by all necessary governmental action.

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: that the Grant Agreement and the Externally Financed Grant Agreement each has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding on 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 Secretary of the MOF 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

Ministry of Finance
Singha Durbar
Kathmandu, Nepal

Facsimile Numbers:

(977) 1 421 1164
(977) 1 421 1165

For ADB

Asian Development Bank
Nepal Resident Mission
Metro Park Building, Lazimpat
Ward No. 2, P.O. Box 5017
Kathmandu, Nepal

Facsimile Number:

(977) 1 400 5137.

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.

NEPAL

By 

RAJAN KHANAL
Secretary
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

MUKHTOR KHAMUDKHANOV
Country Director
Nepal Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is: increased disaster resilience of schools and communities and improved learning environment.
2. The Project shall comprise:
 - (a) reconstruction and improvement of heavily damaged schools, to include reconstruction of approximately 163 public schools (including improved facilities), and installation of solar power at approximately 130 schools;
 - (b) retrofitting of unsafe schools and reduction of disaster risk, to include development of retrofit design for schools in hilly, mountainous and remote communities, retrofitting of approximately 138 public schools, and preparation, approval and field-testing of disaster risk management action plans in reconstructed and retrofitted schools; and
 - (c) strengthening of institutional capacity for disaster resilience, to include enhancements to the Borrower's Education Management Information System to improve school building inventory, training of approximately 336 government engineers and approximately 336 masons for disaster resilient construction, development and endorsement of a comprehensive user manual for disaster risk reduction implementation in rural communities, and completion of a scalable pilot in approximately 3 schools on community driven retrofitting.
3. The Project is expected to be completed by 30 September 2022.

SCHEDULE 2**Amortization Schedule**

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollars)*
1 January 2027	3,101,333
1 July 2027	3,101,333
1 January 2028	3,101,333
1 July 2028	3,101,333
1 January 2029	3,101,333
1 July 2029	3,101,333
1 January 2030	3,101,333
1 July 2030	3,101,333
1 January 2031	3,101,333
1 July 2031	3,101,333
1 January 2032	3,101,333
1 July 2032	3,101,333
1 January 2033	3,101,333
1 July 2033	3,101,333
1 January 2034	3,101,333
1 July 2034	3,101,333
1 January 2035	3,101,333
1 July 2035	3,101,333
1 January 2036	3,101,333
1 July 2036	3,101,333
1 January 2037	3,101,333
1 July 2037	3,101,333
1 January 2038	3,101,333
1 July 2038	3,101,333
1 January 2039	3,101,333
1 July 2039	3,101,333
1 January 2040	3,101,333
1 July 2040	3,101,333
1 January 2041	3,101,333
1 July 2041	3,101,333
1 January 2042	3,101,333
1 July 2042	3,101,333
1 January 2043	3,101,333
1 July 2043	3,101,333
1 January 2044	3,101,333
1 July 2044	3,101,333
1 January 2045	3,101,333
1 July 2045	3,101,333
1 January 2046	3,101,333
1 July 2046	3,101,333
1 January 2047	3,101,333
1 July 2047	3,101,333
1 January 2048	3,101,333

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollars)*
1 July 2048	3,101,333
1 January 2049	3,101,333
1 July 2049	3,101,333
1 January 2050	3,101,333
1 July 2050	<u>3,101,349</u>
TOTAL	148,864,000

* 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"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Loan Account

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

Interest Charge

3. The amount allocated to Category "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. 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 charge.

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, by notice to 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, by notice to 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.

Retroactive Financing

6. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with Works and Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	111,580,000		
1A	Reconstruction		98,753,000	80.0% of total expenditure claimed
1B	Retrofitting & Retrofitting Pilot		12,827,000	57.4% of total expenditure claimed
2	Goods	2,870,000		88.5% of total expenditure claimed
3	Consulting Services	14,514,000		88.5% of total expenditure claimed
4	Incremental Recurrent Costs	660,000		44.0% of total expenditure claimed
5	Interest Charge	3,870,000		100% of amounts due
6	Unallocated	15,370,000		
	TOTAL	148,864,000		

SCHEDULE 4**Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower 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.

Procurement

2. The Borrower shall ensure that:

- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
- (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
- (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

3. The Borrower shall not award any Works contracts which involves environmental impacts until:

- (a) The Borrower's Ministry of Forests and Environment, or other responsible authority, has granted the final approval of the IEE;
- (b) the Borrower has incorporated the relevant provisions from the EMP into the Works contract; and
- (c) (i) the EA has established a safeguards desk at the CLPIU (Education) and the concerned local level PIU, and (ii) ADB has cleared the

appointment of the contractor's proposed environment and safety officer for the Project.

4. The Borrower shall not award any Works contract which involves involuntary resettlement impacts, until the it has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP.

Safeguards

Environment

5. The Borrower 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 Borrower relating to environment, health and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the IEE and the EMP and any corrective or preventative actions set forth in Safeguards Monitoring Reports and other relevant Project documents.

Land Acquisition and Involuntary Resettlement

6. The Borrower shall ensure that:
- (a) 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 (i) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (ii) the RF; and (iii) all measures and requirements set forth in the RP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report; and
 - (b) no Works involving involuntary resettlement impacts are commenced until ADB has cleared the final RP of each package.
7. Without limiting the application of the Involuntary Resettlement Safeguards 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

8. The Borrower shall ensure that the Project does not involve any indigenous peoples' impacts within the meaning of the SPS. In the event the Project involves any such

impacts, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Labor Standards, Health and Safety

9. The Borrower shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower 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 Borrower'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) allow freedom of association and effectively recognize the right to collective bargaining; 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 Borrower shall strictly monitor compliance with the requirements set forth above and provide ADB with regular reports.

Gender and Development

10. The Borrower 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.

Human and Financial Resources to Implement Safeguards Requirements

11. The Borrower shall make available necessary budgetary and human resources to fully implement the EARF, IEE and EMP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

12. 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 EARF, IEE and the EMP (to the extent they concern impacts or affected people during construction), and any corrective or preventative actions set forth in a safeguard monitoring reports and other project related documents;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the EA with a written notice of any unanticipated environmental risks or impacts that arise during construction, implementation or

operation of the Project that were not considered in the EARF, IEE and the EMP;

- (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

13. The Borrower shall do the following:

- (a) submit semi-annual Safeguards Monitoring Reports for environmental and involuntary resettlement 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 EARF, IEE and the EMP, 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 promptly after becoming aware of the breach.

Prohibited List of Investments

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

Counterpart Support

15. The Borrower shall make available through budgetary allocations or other means all counterpart funds required for timely and effective implementation of the Project, including funds to mitigate unforeseen environmental and social impacts, and to meet additional costs arising from design changes, price escalation in construction or installation costs or other unforeseen circumstances. In addition to the foregoing, the Borrower shall ensure that the EA has sufficient funds to satisfy its liabilities arising from any Works, Goods and Services contract.

Governance and Anticorruption

16. The Borrower 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.

17. The Borrower 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.

Grievance Redress Mechanism

18. The Borrower shall ensure that, within 3 months after the Effective Date, the EA enhances its existing GRM to be acceptable to ADB, and forms grievance redress committees at all levels (central, local and school) to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances due to environmental impacts and land acquisition. The committee shall (a) make public of the existence of the GRM; (b) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (c) proactively and constructively responding to them.

Project Performance Monitoring System

19. The Borrower shall ensure that, within 6 months after the Effective Date, the EA develops a web-based project performance monitoring and reporting system, which shall include functions for accounting and expenditures of the rehabilitation and reconstruction program implementation, concurrent evaluation of impacts, outcomes, outputs and activities in relation to targets and milestones established for the project and the overall rehabilitation and reconstruction program for the earthquake affected areas in Nepal. The system shall also include function for monitoring and reporting the safeguards compliance, monitoring information with suggested corrective measures, and the follow-up actions taken by the project. The Borrower shall ensure that the EA prepares monitoring reports in a pre-approved uniform format for all donors, covering key aspects of the rehabilitation and reconstruction program.