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GRANT NUMBER 9180-NEP (EF)

GRANT AGREEMENT  
(Externally Financed)

(Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 08 DECEMBER 2015

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NEP 49202

**GRANT AGREEMENT  
(Externally Financed)**

GRANT AGREEMENT dated 08 December 2015 between NEPAL ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 21 August 2015 between the Recipient and ADB, ADB has provided an emergency assistance loan to the Recipient from ADB's Special Funds resources in the amount of two hundred million dollars (\$200,000,000) ("EAL Loan Agreement") for the purposes of the Nepal Earthquake Emergency Assistance Project ("EAP Project") described in Schedule 1 to the EAL Loan Agreement;

(B) On 18 June 2015 the Recipient has, through ADB, applied to Japan Fund for Poverty Reduction ("JFPR") for an emergency assistance grant, to be administered by ADB, for the purpose of financing the Project described in Schedule 1 to this Grant Agreement;

(C) Part B of the Project will be carried out by Small Farmers Development Bank ("SFDB"), and for this purpose the Recipient will make available to SFDB a portion of the grant proceeds provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make the proceeds of the grant from JFPR available to the Recipient upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the SFDB.

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Grant Regulations; Definitions**

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

- (a) Section 2.01(13) is deleted and the following is substituted therefor: "Project Agreement" means the Project Agreement [of even date herewith] between ADB and SFDB; and
- (b) The term "Project Executing Agency" appearing in Section 6.01(a), 8.01(c), 8.01(e), 8.01(i), 9.01(b) and 9.02(b) of the Grant Regulations shall be substituted by the term SFDB.

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

(a) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Recipients (2013, as amended from time to time);

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

(c) “DOE” means the Department of Education, under the MOE, or any successor thereto;

(d) “Environmental Assessment and Review Framework” or “EARF” means the environmental assessment and review framework for the EAP Project, which will be followed for this Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

(e) “Environmental Management Plan” or “EMP” means each environmental management plan for a Subproject, including any update thereto, incorporated in an 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) “Fiscal Year” or “FY” means the Recipient’s fiscal year which starts on 16 July and ends on 15 July of the following year;

(h) “GESI” means gender equality and social inclusion;

(i) “GESI/AP” means the action plan on GESI developed for the Project and agreed between ADB and the Recipient;

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

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

(l) “Initial Environmental Examination” or “IEE” means each initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

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

(n) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2015, as amended from time to time);

(o) “MOE” means the Recipient’s Ministry of Education, or any successor

thereto;

(p) "MOF" means the Recipient's Ministry of Finance, or any successor thereto;

(q) "O&M" means operation and maintenance;

(r) "PAM" means the project administration manual for the Project dated 7 September 2015 and agreed between the Recipient and ADB, as updated from time to time in accordance with the respective administrative procedures of the Recipient and ADB;

(s) "PPMS" means project performance monitoring system;

(t) "Procurement Guidelines" means the ADB's Procurement Guidelines (2015, as amended from time to time);

(u) "Procurement Plan" means the procurement plan for the Project dated 7 September 2015 and agreed between the Recipient and ADB, as updated from time to time in accordance with the Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(v) "Project Executing Agency" or "EA" for the purposes, and within the meaning, of the Grant Regulations means MOF, or any successor thereto acceptable to ADB;

(w) "Project facilities" means the facilities, equipment and vehicles provided under the Project;

(x) "Project Implementing Agencies" or "IAs" means DOE, which is responsible for Parts A and C of the Project and MOF, SFDB for Parts B and C of the Project, and any successor thereto acceptable to ADB;

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

(z) "Safeguards Monitoring Report" means each report prepared and submitted by the Recipient to ADB that describes progress with implementation of, and compliance with, the EMPs and the RPs, including any corrective and preventative actions;

(aa) "SFDB" means the Small Farmers Development Bank, as mentioned in Recital (C) of this Grant Agreement;

(bb) "Subproject" means a subproject under the Project that meets the subproject eligibility criteria referred in paragraph 3 of Schedule 4 to this Grant Agreement; and

(cc) "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 contracts but excluding Consulting Services.

## **ARTICLE II**

### **The Grant**

Section 2.01. ADB agrees to make available to the Recipient a grant from Japan Fund for Poverty Reduction in the amount of fifteen million Dollars (\$15,000,000).

## **ARTICLE III**

### **Use of Proceeds of the Grant**

Section 3.01. (a) The Recipient shall relend part of the proceeds of the Grant together with other funds required for the Project to SFDB under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB.

(b) The Recipient shall cause part of the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to this Grant Agreement.

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

- (a) Goods which are produced in and supplied from and 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 Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 March 2019 or such other date as may from time to time be agreed between the Recipient and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles 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 international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest fund[s] and statement of expenditures 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 30 days of the date of their receipt by posting them on ADB's website.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient'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 Recipient, unless the Recipient shall otherwise agree.

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

Section 4.04. The Recipient shall take all actions which shall be necessary on its part to enable SFDB to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Recipient shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Recipient and ADB and to accomplish the purposes of the Grant.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for JFPR. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from the JFPR, and (ii) that ADB does not assume any obligations or responsibilities of JFPR in respect of the Project or the Grant other than those set out in this Grant Agreement.

## **ARTICLE V**

### **Suspension**

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations:

- (a) the Recipient shall have failed to perform any of its obligations under the EAL Loan Agreement; and
- (b) SFDB shall have failed to perform any of its obligations under the Project Agreement.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations:

- (a) the EAL Loan Agreement shall have been authorized by all necessary governmental action and duly executed and delivered on behalf of the Recipient, and all conditions precedent to its effectiveness shall have been fulfilled; and
- (b) the Project Agreement shall have been authorized by all necessary SFDB internal governance action and duly executed and delivered on behalf of SFDB, and all conditions precedent to its effectiveness shall have been fulfilled.

Section 6.02. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

**ARTICLE VII**

**Miscellaneous**

Section 7.01. The Secretary of the MOF is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

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

For the Recipient

Ministry of Finance  
Singha Durbar  
Kathmandu, Nepal

Facsimile Numbers:

977-1-4211164  
977-1-4211165.

For ADB

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

Facsimile Numbers:

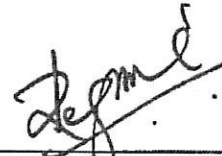
(632) 636-2444  
(632) 636-2340.



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

NEPAL

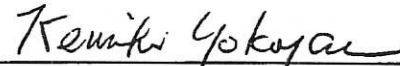
By



\_\_\_\_\_  
LOK DARSHAN REGMI  
Secretary  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By



\_\_\_\_\_  
KENICHI YOKOYAMA  
Country Director  
Nepal Resident Mission

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to restore livelihood and schooling in poorer and more severely earthquake affected communities with better disaster resilience.

2. The Project shall comprise:

**PART A: Schools in Poorer and Severely Affected Districts Constructed or Rebuilt as Model Disaster Resilient Schools**

Rebuild and retrofit at least 14 model schools that are in line with school reconstruction plans to disaster resilient standards and equipped with ICT equipment, science laboratories and improved learning space.

**PART B: Microcredit Facility for Livelihood Restoration Provided to Small Farmer Cooperative Members**

Provision of microcredit to at least 12,500 affected households to restore damages from the earthquake. The multipurpose microcredit may be used to: (i) revive microenterprises, (ii) restore livestock, agriculture activities, and other means of livelihood, and (iii) cover essential expenses during recovery period.

**PART C: Disaster Risk Management Capacity of the Affected Communities Strengthened**

Provision of training on disaster resilient construction and disaster risk management planning.

Consulting services will be provided to support the above activities.

3. The Project is expected to be completed by 30 September 2018.

## SCHEDULE 2

### Allocation and Withdrawal of Grant 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 Grant and the allocation of the Grant 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 Grant Account

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

#### Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table:

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with the Recipient, reallocate such excess amount to any other Category.

#### Disbursement Procedures

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

#### Retroactive Financing

5. Withdrawals from the Grant Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date in connection with Consulting Services, Goods, Works, training, capacity building and credit line, subject to a maximum amount equivalent to 20% of the Grant amount; provided that the expenditures have been incurred and paid for after the emergency occurred.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for Japan Fund for Poverty Reduction Financing (USD) Category</b>	<b>Percentage and Basis for Withdrawal from the Grant Account</b>
1	Civil Works	6,135,964	88% of total expenditure claimed
2	Equipment and Supplies	561,992	87% of total expenditure claimed
3	Capacity Building and Training	1,453,500	85.5% of total expenditure claimed
4	Consultancy Services	644,840	88% of total expenditure claimed
5	Credit line	5,500,000	79% of total expenditure claimed
6	Unallocated	703,704	
	Total	15,000,000	

### **SCHEDULE 3**

#### **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 Grant 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) National 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 Recipient may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

##### National Competitive Bidding

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

##### Conditions for Award of the Contract

6. The Recipient shall not award any Works contract for a Subproject which involves environmental impacts until the EA has:
  - (a) obtained the final approval of the IEE from the concerned sector agency for IEEs; and
  - (b) incorporated the relevant provisions from the EMP into the Works contract.
7. The Recipient shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the EA has prepared and submitted to ADB the

final RP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such RP.

#### Consulting Services

8. The Recipient shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Single Source Selection for Engineer Advisor –Earthquake resistant building design for DOE.

9. The Recipient shall recruit the individual consultants for microfinance cooperative specialist, project manager, school project coordinator, project coordinator/rural finance specialist, training specialist for model schools, ICT specialist for model schools and procurement and financial management specialist, all in accordance with procedures acceptable to ADB for recruiting individual consultants.

#### Industrial or Intellectual Property Rights

10. (a) The Recipient shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

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

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

#### ADB's Review of Procurement Decisions

12. Contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

## **SCHEDULE 4**

### **Execution of Project; Financial Matters**

#### Implementation Arrangements

1. The Recipient and the EA 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 Recipient and ADB. In the event of any discrepancy between the PAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.

#### Counterpart Support

2. The Recipient shall make available adequate and timely budgetary allocations of the required counterpart funds in respect of the Project, including for (i) land acquisition and resettlement costs, and (ii) taxes and duties. The Recipient shall meet any financing shortfall to ensure that the Project and the Subprojects are fully implemented.

#### Subproject Selection Criteria

3. The Recipient shall ensure, or cause the EA to ensure, that the subprojects are selected and approved in accordance with the selection and approval criteria set out in the PAM. The EA shall retain Subprojects appraisal files throughout Project implementation period.

#### Safeguards

##### Environment

4. The Recipient shall ensure, or cause the EA to ensure, that the preparation, design, construction, implementation, operation and decommissioning of each Subproject comply with (a) all applicable laws and regulations of the Recipient 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 a Safeguards Monitoring Report.

##### Land Acquisition and Involuntary Resettlement

5. The Recipient shall ensure, or cause the EA to ensure, that the Project and any of the Subprojects shall not result in involuntary resettlement impacts or involuntary restrictions on land use or access to legally designated parks and protected areas.

##### Human and Financial Resources to Implement Safeguards Requirements

6. The Recipient shall make available, or cause the EA to make available, necessary budgetary and human resources to fully implement the EMPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Recipient shall ensure, or cause the EA to 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 relevant IEE and EMP (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;
- (c) provide the Recipient with a written notice of any unanticipated environmental risks or impacts that arise during construction, implementation or operation of the Subproject that were not considered in the relevant IEE and EMP; and
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction.

Safeguards Monitoring and Reporting

8. The Recipient shall do the following, or shall cause the EA to do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental risks and impacts arise during construction, implementation or operation of the Subproject that were not considered in the relevant IEE and 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 EMPs promptly after becoming aware of the breach.

Prohibited List of Investments

9. The Recipient shall ensure, or cause the EA to ensure, that no proceeds of the Grant 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

10. The Recipient shall ensure that the core labor standards and the Recipient's applicable laws and regulations are complied with during Project implementation. The Recipient 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 Recipient'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; and (e) allow freedom of association and effectively recognize the right to collective bargaining.

#### Gender and Development

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

#### Governance and Anticorruption

12. The Recipient, the EA and the IAs 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.

13. The Recipient, the EA and the IAs 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

14. Within 6 months after the Effective Date, the Recipient shall prepare a Grievance Redress Mechanism, acceptable to ADB, and establish a special committee to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances due to resettlement. The special committee will (a) make public of the existence of this Grievance Redress Mechanism, (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

15. Within 6 months after the Effective Date, the EA shall develop a web-based project performance monitoring and reporting system, which shall include functions for accounting and expenditures 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 EA will prepare monitoring reports in a pre-approved uniform format for all donors, covering key aspects of the rehabilitation and reconstruction program.

Grant Refund

16. If ADB determines that an amount of the Grant has been used in a manner inconsistent with the provisions of this Grant Agreement, the Recipient shall, upon notice by ADB to the Recipient, promptly refund such amount to ADB. Except as ADB may otherwise determine, ADB shall cancel all amounts refunded pursuant to this provision.

Donor-specific covenants

17. The Recipient and SFDB shall comply with the Communication and Visibility Guidelines of the JFPR; and in particular, the Recipient and the SFDB shall include a JFPR and Japan Official Development Assistance logos in all relevant Project publications and on any equipment or facility funded by JFPR.