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LOAN NUMBER 3260-NEP (SF)

LOAN AGREEMENT  
(Special Operations)  
(Earthquake Emergency Assistance Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 21 August 2015

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NEP 49215

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 21 August 2015 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; and

(B) 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) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (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 Loan Agreement;

(c) “DOE” means the Department of Education, under the MOE;

(d) “DOLIDAR” means the Department of Local Infrastructure Development and Agricultural Roads, under the MOFALD;

(e) “DOR” means the Department of Roads, under the MOPIT;

(f) “DUDBC” means the Department of Urban Development and Building Construction, under the MOUD;

(g) “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;

(h) “Environmental Management Plan” or “EMP” means each environmental management plan for a Subproject, including any update thereto, incorporated in an IEE;

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

(j) “Fiscal Year” or “FY” means the Borrower’s fiscal year which starts on 16 July and ends on 15 July of the following year;

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

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

(m) “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;

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

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

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

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

(r) “MOE” means the Borrower’s Ministry of Education, or any successor thereto;

(s) “MOF” means the Borrower’s Ministry of Finance, or any successor thereto;

(t) “MOFALD” means the Borrower’s Ministry of Federal Affairs and Local Development, or any successor thereto;

(u) “MOPIT” means the Borrower’s Ministry of Physical Infrastructure and Transport, or any successor thereto;

(v) “MOUD” means the Borrower’s Ministry of Urban Development, or any successor thereto;

(w) “O&M” means operation and maintenance;

(x) "PAM" means the project administration manual for the Project dated 13 June 2015 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;

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

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

(aa) "Procurement Plan" means the procurement plan for the Project dated 13 June 2015 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

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

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

(dd) "Project Implementing Agencies" or "IAs" means DOE, which is responsible for Parts A and D of the Project; DOLIDAR and DOR, which are responsible for Parts B and D of the Project; and DUDBC, which is responsible for Parts C and D of the Project, or any successor thereto acceptable to ADB;

(ee) "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;

(ff) "Resettlement Plan" or "RP" means each resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

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

(ii) "Subproject" means a subproject under the Project that meets the subproject eligibility criteria referred in paragraph 3 of Schedule 5 to this Loan Agreement; and

(jj) "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 Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to one hundred forty three million two hundred twelve thousand Special Drawing Rights (SDR 143,212,000).

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 thereafter on the outstanding amount 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 December and 15 June 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. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 March 2019 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 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 on 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 Loan proceeds and compliance with the financial covenants of this Loan 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 9 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 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.

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**

**Effectiveness**

Section 5.01. 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 VI**

**Miscellaneous**

Section 6.01. The Secretary of the MOF of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. 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 Number:

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 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 M. Marasini  
MADHU KUMAR MARASINI  
Joint Secretary  
International Economic Cooperation  
Coordination Division

ASIAN DEVELOPMENT BANK

By K. Yokoyama  
KENICHI YOKOYAMA  
Country Director  
Nepal Resident Mission



## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to restore critical public and social infrastructure and services with strengthened resiliency.
2. The Project shall comprise:
  - Part A. Rebuild and upgrade schools:
    - (a) Rebuild and retrofit at least 700 schools that are in line with school reconstruction plans to disaster resilient standards and equipped with water and sanitation facilities including sex-disaggregated toilets; and
    - (b) Build 5 model schools with ICT equipment, science laboratories and improved learning spaces.
  - Part B. Rehabilitate and reconstruct roads and bridges:

Rehabilitate about 135 km of strategic roads and 450 km of rural roads damaged by the earthquake. Project roads and bridges will have built back better features for road safety and climate resilience.
  - Part C. Construct and/or rebuild district-level government facilities:

Rebuild or retrofit about 300 district-level government buildings damaged by the earthquake to disaster resilient standards, including provision of temporary offices.
  - Part D. Disaster preparedness and management capacity:
    - (a) Conduct quality assurance on design and works to ensure all outputs are disaster risk resilient;
    - (b) Strengthen engineering divisions of all IAs; and.
    - (c) Consulting services will be provided to support activities under Parts A, B and C.
3. The Project is expected to be completed by 30 September 2018.

**SCHEDULE 2****Amortization Schedule****(Earthquake Emergency Assistance Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 December 2025	1,432,120
15 June 2026	1,432,120
15 December 2026	1,432,120
15 June 2027	1,432,120
15 December 2027	1,432,120
15 June 2028	1,432,120
15 December 2028	1,432,120
15 June 2029	1,432,120
15 December 2029	1,432,120
15 June 2030	1,432,120
15 December 2030	1,432,120
15 June 2031	1,432,120
15 December 2031	1,432,120
15 June 2032	1,432,120
15 December 2032	1,432,120
15 June 2033	1,432,120
15 December 2033	1,432,120
15 June 2034	1,432,120
15 December 2034	1,432,120
15 June 2035	1,432,120
15 December 2035	2,864,240
15 June 2036	2,864,240
15 December 2036	2,864,240
15 June 2037	2,864,240
15 December 2037	2,864,240
15 June 2038	2,864,240
15 December 2038	2,864,240
15 June 2039	2,864,240
15 December 2039	2,864,240
15 June 2040	2,864,240
15 December 2040	2,864,240

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 June 2041	2,864,240
15 December 2041	2,864,240
15 June 2042	2,864,240
15 December 2042	2,864,240
15 June 2043	2,864,240
15 December 2043	2,864,240
15 June 2044	2,864,240
15 December 2044	2,864,240
15 June 2045	2,864,240
15 December 2045	2,864,240
15 June 2046	2,864,240
15 December 2046	2,864,240
15 June 2047	2,864,240
15 December 2047	2,864,240
15 June 2048	2,864,240
15 December 2048	2,864,240
15 June 2049	2,864,240
15 December 2049	2,864,240
15 June 2050	2,864,240
15 December 2050	2,864,240
15 June 2051	2,864,240
15 December 2051	2,864,240
15 June 2052	2,864,240
15 December 2052	2,864,240
15 June 2053	2,864,240
15 December 2053	2,864,240
15 June 2054	2,864,240
15 December 2054	2,864,240
15 June 2055	2,864,240
<b>TOTAL</b>	<b>143,212,000</b>

\* 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 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 5 is for financing the interest charge on the Loan during the implementation period of the Project.

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 consultation 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 consultation 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.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date in connection with Consulting Services, Goods, Works, and project management, subject to a maximum amount equivalent to 30% of the Loan amount; provided that the expenditures have been incurred and paid for after the emergency occurred.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Earthquake Emergency Assistance Project)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (SDR) Category</b>	<b>Basis for Withdrawal from the Loan Account</b>
1	Civil Works	118,150,000	88% of total expenditure claimed
2	Goods, Supplies and Equipment	4,654,000	100% of total expenditure claimed
3	Consultancy and Capacity Development	6,437,000	100% of total expenditure claimed
4	Incremental Recurrent Costs: sub-engineers (DOE)	2,657,000	100% of total expenditure claimed
5	Interest During Construction	2,417,000	100% of amount due
6	Unallocated	8,897,000	
	Total	143,212,000	

## **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;
  - (b) National Competitive Bidding;
  - (c) Shopping; and
  - (d) Direct Contracting
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 method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

#### Domestic Preference

5. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

#### National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower 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 Borrower and ADB.

#### Conditions for Award of the Contract

7. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until the EA or the IAs 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.

8. The Borrower shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the EA or the IAs 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

9. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

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

#### Consultant Qualifications Selection for Technical Quality Audit

11. The Borrower shall recruit the individual consultants for Project implementation start-up in accordance with procedures acceptable to ADB for recruiting individual consultants.

#### Industrial or Intellectual Property Rights

12. (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.

13. 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

14. 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, the EA and the IAs 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.

#### Counterpart Support

2. The Borrower 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 Borrower shall meet any financing shortfall to ensure that the Project and the Subprojects are fully implemented.

#### Subproject Selection Criteria

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

#### Safeguards

##### Environment

4. The Borrower shall ensure or cause the EA and the IAs to ensure that the preparation, design, construction, implementation, operation and decommissioning of each Subproject 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 a Safeguards Monitoring Report.

##### Land Acquisition and Involuntary Resettlement

5. The Borrower shall ensure or cause the EA and the IAs to 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 respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

6. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or any RP, the Borrower shall ensure or cause the EA and the IAs to ensure that no physical or economic displacement takes place in connection with a Subproject 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.

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

7. The Borrower shall make available or cause the EA and the IAs to make available necessary budgetary and human resources to fully implement the EMPs, and the RPs.

#### Safeguards – Related Provisions in Bidding Documents and Works Contracts

8. The Borrower shall ensure or cause the EA and the IAs 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, EMP, and RP (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 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 Subproject that were not considered in the relevant IEE, EMP, and RP ; 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

9. The Borrower shall do the following or shall cause the EA and the IAs 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 and/or social risks and impacts arise during construction, implementation or operation of the

Subproject that were not considered in the relevant IEE, EMP, and 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 EMPs or the RPs promptly after becoming aware of the breach.

#### Prohibited List of Investments

10. The Borrower shall ensure or cause the EA and the IAs to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

#### Labor Standards, Health and Safety

11. 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

#### Gender and Development

12. The Borrower 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

13. The Borrower, 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.

14. The Borrower, 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

15. Within 6 months after the Effective Date, the Borrower 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

16. 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.