
LOAN NUMBER 3057-NEP(SF)

GRANT NUMBER 0367-NEP(SF)

FINANCING AGREEMENT
(Special Operations)
(Bagmati River Basin Improvement Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 6 MARCH 2014

NEP 43448

FINANCING AGREEMENT (Special Operations)

FINANCING AGREEMENT dated 6 March 2014 between NEPAL ("Beneficiary") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) the Project shall be implemented by the Beneficiary's Ministry of Urban Development ("MOUD") with assistance from the High Powered Committee for the Integrated Development of the Bagmati Civilization ("HPCIDBC"), Water and Energy Commission Secretariat ("WECS") and Department of Irrigation ("DOI"); and

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

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations and Grant Regulations; Definitions

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

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

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

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

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

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

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

(a) "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 or the Grant as referred to in paragraph 2 of Schedule 1 to this Financing Agreement;

(c) "DMF" means the design and monitoring framework of the Project;

(d) "EIA" means the environmental impact assessment for the Project, including any update thereto, prepared and submitted by the Beneficiary and cleared by ADB;

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

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

(g) "GESI action plan" means the gender equality and social inclusion action plan prepared for the Project and agreed between ADB and the Beneficiary;

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

(i) "Implementing agencies" or "IAs" means HPCIDBC, WECS and DOI;

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

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

(l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(m) "MOEST" means the Ministry of Environment, Science and Technology of the Beneficiary, or any successor thereto acceptable to ADB;

- (n) "O&M" means operation and maintenance;
- (o) "PAM" means the project administration manual for the Project dated 3 September 2013 and agreed between the Beneficiary and ADB, as updated from time to time in accordance with the respective administrative procedures of the Beneficiary and ADB;
- (p) "Procurement Guidelines" means ADB's Procurement Guidelines (2013, as amended from time to time);
- (q) "Procurement Plan" means the procurement plan for the Project dated 3 September 2013 and agreed between the Beneficiary and ADB, as updated from time to time in accordance with the Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;
- (r) "Project Executing Agency" or "EA" for the purposes, and within the meaning, of the Loan Regulations means MOUD, or any successor thereto acceptable to ADB;
- (s) "Project facilities" means the facilities, equipment and vehicles provided under the Project;
- (t) "Resettlement Framework" or "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Beneficiary and cleared by ADB;
- (u) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (v) "Safeguards Monitoring Report" means each report prepared and submitted by the Beneficiary to ADB that describes progress with implementation of and compliance with the EIA, resettlement plan or indigenous peoples' plan (as applicable), including any corrective and preventative actions; and
- (w) "Works" means construction or civil works to be financed out of the proceeds of the Loan or the Grant, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan and the Grant

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

- (a) a loan in various currencies equivalent to sixteen million seven hundred seventy thousand Special Drawing Rights (SDR16,770,000) ("Loan"); and
- (b) a grant in the amount of four million five hundred thousand Dollars (\$4,500,000) ("Grant").

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

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

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

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

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

ARTICLE III

Use of Proceeds of the Loan and the Grant

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

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

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

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

- (a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 29 February 2020, and the Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 29 February 2020 or, in each case, such other date as may from time to time be agreed between the Beneficiary and ADB.

ARTICLE IV

Particular Covenants

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

Section 4.02. (a) The Beneficiary shall (i) maintain separate accounts and records for the Project, including separate accounts and records for the Loan and Grant; (ii) prepare annual financial statements for the Project in accordance with 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 Loan proceeds and compliance with the financial covenants of this Financing 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 Beneficiary shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Beneficiary's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Beneficiary, unless the Beneficiary shall otherwise agree.

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

ARTICLE V

Effectiveness

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

ARTICLE VI

Miscellaneous

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

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

For the Beneficiary

Ministry of Finance
Singha Durbar
Kathmandu, Nepal

Facsimile Number:

+977 1 421-1164.

For ADB

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

Facsimile Numbers:


+63 2 636-2444
+63 2 636-2391.

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

NEPAL

By 
SHANTA RAJ SUBEDI
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 achieving improved river health and flood management.
2. The Project shall comprise:
 - (a) establishment of systems and capacity for integrated and participatory river basin management, including formation of a river basin organization for Bagmati;
 - (b) improvement of river banks environment in urban areas;
 - (c) ensuring increased water availability during dry season and watershed conservation;
 - (d) making flood forecasting and early warning system in the Bagmati River basin functional; and
 - (e) efficient management of the activities with effective stakeholder communications.

Consulting Services shall be provided to undertake the above.
3. The Project is expected to be completed by 31 August 2019.

SCHEDULE 2

Amortization Schedule

(Bagmati River Basin Improvement Project)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2022	349,375
15 October 2022	349,375
15 April 2023	349,375
15 October 2023	349,375
15 April 2024	349,375
15 October 2024	349,375
15 April 2025	349,375
15 October 2025	349,375
15 April 2026	349,375
15 October 2026	349,375
15 April 2027	349,375
15 October 2027	349,375
15 April 2028	349,375
15 October 2028	349,375
15 April 2029	349,375
15 October 2029	349,375
15 April 2030	349,375
15 October 2030	349,375
15 April 2031	349,375
15 October 2031	349,375
15 April 2032	349,375
15 October 2032	349,375
15 April 2033	349,375
15 October 2033	349,375
15 April 2034	349,375
15 October 2034	349,375
15 April 2035	349,375
15 October 2035	349,375
15 April 2036	349,375
15 October 2036	349,375
15 April 2037	349,375
15 October 2037	349,375
15 April 2038	349,375
15 October 2038	349,375
15 April 2039	349,375
15 October 2039	349,375
15 April 2040	349,375
15 October 2040	349,375
15 April 2041	349,375
15 October 2041	349,375

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2042	349,375
15 October 2042	349,375
15 April 2043	349,375
15 October 2043	349,375
15 April 2044	349,375
15 October 2044	349,375
15 April 2045	349,375
15 October 2045	<u>349,375</u>
Total	16,770,000

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

SCHEDULE 3

Allocation and Withdrawal of Loan and Grant Proceeds

General

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

Basis for Withdrawal from the Loan and Grant Account

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

Interest Charge

3. The amount allocated to Category 7 of Table 1 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

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

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

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

Disbursement Procedures

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

Retroactive Financing

6. Withdrawals from the Loan Account and the Grant Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Financing Agreement, subject to a maximum amount equivalent to 10% of the aggregate amount of the Loan and the Grant.

TABLE 1

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Bagmati River Basin Improvement Project)				
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Civil Works	11,292,000		84% of total expenditure claimed
1A	WECS			
1B	DOI		1,904,000	
1C	HPCIDBC		9,388,000	
2	Equipment	407,000		94% of total expenditure claimed
2A	WECS		223,000	
2B	DOI		44,000	
2C	HPCIDBC		140,000	
3	Capacity Building and Training	336,000		80% of total expenditure claimed
3A	WECS		108,000	
3B	DOI			
3C	HPCIDBC		228,000	
4	Surveys, Design and Mapping	1,649,000		85% of total expenditure claimed
4A	WECS		69,000	
4B	DOI		1,546,000	
4C	HPCIDBC		34,000	
5	Consultancy Services	466,000		16% of total expenditure claimed*
5A	WECS		165,000	
5B	DOI			
5C	HPCIDBC		301,000	
6	Community Initiatives - HPCIDBC	855,000		67% of total expenditure claimed
7	Interest Charge	457,000		100% of amounts due
8	Unallocated	1,308,000		
	Total	16,770,000		

*Exclusive of taxes and duties imposed within the territory of the Beneficiary.

TABLE 2

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Bagmati River Basin Improvement Project)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Consultancy Services	3,733,000		84% of total expenditure claimed*
1A	WECS		1,319,000	
1B	DOI			
1C	HPCIDBC		2,414,000	
2	Community Initiatives	415,000		21% of total expenditure claimed
2A	WECS			
2B	DOI			
2C	HPCIDBC		415,000	
3	Unallocated	352,000		
	Total	4,500,000		

*Exclusive of taxes and duties imposed within the territory of the Beneficiary

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 Financing 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; and
 - (c) 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 Beneficiary 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.

Domestic Preference

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

Conditions for Award of Contract

6. The Beneficiary shall not award any Works contracts which involves environmental impacts until:
 - (a) MOEST has granted the final approval of the EIA; and
 - (b) the Beneficiary has incorporated the relevant provisions from the EMP into the works contract.

Consulting Services

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

8. The Beneficiary shall recruit the individual consultants in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

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

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

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

ADB's Review of Procurement Decisions

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

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Beneficiary, the Project Executing Agency, HPCIDBC, WECS and DOI shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Beneficiary and ADB. In the event of any discrepancy between the PAM and this Financing Agreement, the provisions of this Financing Agreement shall prevail.

Environment

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

Involuntary Resettlement and Indigenous People

3. The Beneficiary shall ensure, or cause the EA and IAs to ensure, that the Project does not have any indigenous peoples or involuntary resettlement impacts, all within the meaning of ADB's Safeguard Policy Statement (2009). In the event that the Project does have any such impact, the Beneficiary shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Beneficiary, RF and with ADB's Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

4. The Beneficiary shall make available, or cause the EA and IAs to make available, necessary budgetary and human resources to fully implement the EIA, EMP, and any additional documents to be prepared in accordance with the RF.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

5. The Beneficiary shall ensure, or cause the EA and 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 EIA, the EMP, the RF any resettlement plan (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 Beneficiary with a written notice of any unanticipated environmental, resettlement or indigenous people risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the EIA, the EMP or the RF;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction;

Safeguards Monitoring and Reporting

6. The Beneficiary shall do the following or cause the EA and IAs do the following:

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

Prohibited List of Investments

7. The Beneficiary shall ensure, or cause the EA and 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

8. The Beneficiary shall ensure, or cause the EA and IAs to ensure, that the contractors comply with all applicable labor, health, and safety laws and regulations of the Beneficiary and, in particular, (a) do not employ child labor for construction and maintenance activities; and (b) provide appropriate facilities (latrines, etc.) for workers at construction sites. The Beneficiary shall require contractors not to differentiate wages between men and women for work of equal value. The Beneficiary, the EA and IAs shall ensure that specific

clauses are included in bidding documents to ensure adherence to these provisions, and that compliance are strictly monitored during project implementation.

Gender and Development

9. The Beneficiary shall cause the EA and IAs to (a) implement the GESI action plan in a timely manner over the entire Project period; (b) achieve the targets stated in those documents; (c) allocate adequate resources for this purpose; (d) provide training to all Project staff on GESI action plan; and (e) closely monitor and report progress on the implementation of the GESI action plan to ADB.

Counterpart Support

10. The Beneficiary shall provide counterpart funds for the Project implementation on a timely basis, and make budgetary allocation for the purpose, as necessary.

Governance and Anticorruption

11. The Beneficiary, and EA and IAs shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and enable ADB 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.

12. The Beneficiary, and EA and 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 examine the records and accounts of the EA and IAs and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

13. Within 12 months of Effective Date, the Project Executing Agency shall create a Project website to disclose information about various matters on the project, including procurement. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures, amount of contract awarded, and the list of goods and services procured.

Grievance Redress Mechanism

14. Within 12 months of Effective Date, the Project Executing Agency shall prepare a grievance redress mechanism, acceptable to ADB, and establish a special committee to receive and resolve complaints and grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances due to any resettlement. The special committee shall (a) make public the existence of the grievance 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 respond to them.

O&M

15. The Beneficiary shall ensure that the EA and IAs shall at all times have sufficient provision for their operation and maintenance cost for assets owned by them.

16. Within 12 months of Effective Date, the Project Executing Agency shall develop and implement a comprehensive asset management plan, acceptable to ADB, focusing on integrated approach to repair, maintenance, rehabilitation and replacement of assets and structures to be created under the Project and provide adequate resources for the implementation of the plan. The Beneficiary shall, or cause the Project Executing Agency to, maintain the Project facilities and ensure that proper technical supervision and adequate routine funds for this purpose are provided.

17. The Beneficiary, recognizing that meeting the water quality standards for bathing at the Pashupatinath is dependent on the ADB-financed Kathmandu Valley Wastewater Improvement Project being implemented as designed, shall ensure that (a) the effluent standards as originally designed for the Gokarna and Guheshori treatment plants under that project are maintained; (b) it maintains close monitoring of the progress of that project; and (c) there is continuous communication between key agencies involved, to ensure coordination between the 2 projects.

18. The Beneficiary shall ensure that its ministries, agencies and departments involved in the implementation of the Project, including the local bodies, give their full cooperation to ensure smooth implementation of the Project.

19. Within 9 months after Effective Date, the Project Executing Agency and implementing agencies shall establish a Project performance management system in line with the targets and indicators set in the DMF. Within 12 months of the Effective Date, the baseline data corresponding to indicators and targets set out in the project status report shall be updated during the detailed design stage, disaggregated by income levels and sex as required.

Institutional and Policy Reform

20. The Beneficiary shall finalize and adopt by 2014 the Integrated Water Resources Management Policy, which is currently in draft form.

21. The Beneficiary shall submit a draft to the legislature by 2015 for approval a proposal to substantially amend the existing Water Resources Act 1992, based on a comprehensive review, to provide for, among others, a fresh deadline to obtain permit for existing uses of water, and incorporating the essential elements of policy changes in the sector since its enactment to promote integrated water resource management.

22. Immediately after the enactment of a new water resources law as stipulated in paragraph 21 above, the Beneficiary shall bring into force a new regulation to regulate environmental flows into the Bagmati River, capturing the essential features and standards contained in its Hydropower Development Strategy, 2001, Irrigation Policy, 2013 and any subsequent policies in the sector relevant to this Project.

23. By end of 2016, the Beneficiary shall introduce necessary bill in the legislature to establish a River Basin Organization (RBO) with the mandate of integrated management and development of water resources in the Bagmati River basin. The Beneficiary shall further provide required budget and staff as necessary to make the RBO operational immediately after the enactment of the RBO law and ensure that it functions as a sustainable organization.

24. By end of 2014, the Beneficiary shall designate WECS as the national water resources planning authority, in line with the proposed Water Vision 2050. Such designation shall be done through an executive order, which shall stipulate such powers and authority for WECS as necessary to function as the authority, and by introduction of additional regulations as required.

25. The Beneficiary shall ensure that it provides requisite staff for training activities under the Project from January 2014, who shall serve as the core staff for the RBO when it is formed.