

**OFFICIAL  
DOCUMENTS**

CREDIT NUMBER 5566-NP

# Project Agreement

(Grid Solar and Energy Efficiency Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NEPAL ELECTRICITY AUTHORITY

Dated February 20, 2015

## **PROJECT AGREEMENT**

Agreement dated February 20, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and NEPAL ELECTRICITY AUTHORITY ("NEA") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the NEPAL ("Recipient") and the Association. The Association and NEA hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

### **ARTICLE II — PROJECT**

- 2.01. NEA declares its commitment to the objectives of the Project. To this end, NEA shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and NEA shall otherwise agree, NEA shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

### **ARTICLE III — TERMINATION**

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

### **ARTICLE IV — REPRESENTATIVE; ADDRESSES**

- 4.01. NEA's Representative is its Managing Director.
- 4.02. The Association's Address is:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. NEA's Address is:

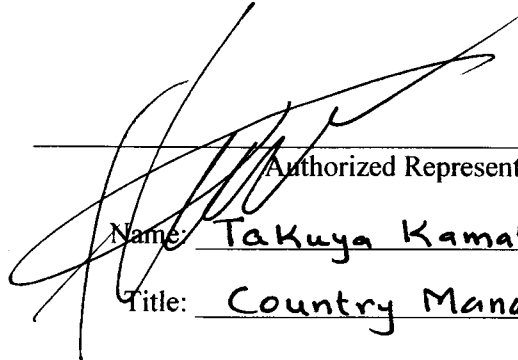
Nepal Electricity Authority  
Durbar Marg  
Kathmandu, Nepal

Cable address ::	Facsimile:
VIDYUT Kathmandu	977-1-4153009

AGREED at Kathmandu, Nepal, as of the day and year first above written.


INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
\_\_\_\_\_  
Authorized Representative  
Name: Takuya Kamata  
Title: Country Manager

NEPAL ELECTRICITY AUTHORITY

By

  
\_\_\_\_\_  
Authorized Representative  
Name: Mukesh Raj Kafle  
Title: Managing Director

## SCHEDULE

### Execution of the Project

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. NEA shall establish not later than January 31, 2015, and thereafter maintain, throughout the period of Project implementation, the Project Coordination Committee ("PCC"), headed by its managing director, and consisting of technical experts with experience, qualifications, functions, and resources satisfactory at all times to the Association, to provide oversight and coordination on the implementation of the Project.
2. NEA shall maintain, throughout the period of Project implementation, the Project Management Unit ("PMU"):
  - (a) headed by a project manager and staffed with key professionals with experience, qualifications, functions, terms of reference and resources satisfactory at all times to the Association; and
  - (b) responsible for: (i) the effective implementation of all aspects of the management, coordination and supervision of the Project, including environmental and social management issues in relation thereto; and (ii) the fiduciary aspects of the Project, notably the overall procurement, financial management, audit, monitoring and evaluation and reporting in respect thereof.
3. NEA shall, not later than March 15, 2015 engage, and thereafter retain throughout the period of implementation of the Project, under terms of reference satisfactory to the Association, a duly qualified and experienced design, construction and supervision consulting firm, acceptable to the Association to assist the PMU with the management and supervision of the solar farms under Part 1 (a) of the Project, including in relation thereto: (a) the preparation of procurement documents and any subsequent charges/variations thereto; (b) the evaluation of technical and financial proposals; (c) the handling of procurement disputes; (d) the certification of performance of contractual obligations and quality control thereof; (e) the overseeing of payments to service providers and/or Project contractors; (f) monitoring of environmental and social management issues; and (g) review of operations and maintenance manuals.

##### B. Anti-Corruption

NEA shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Safeguards**

1. NEA shall carry out the Project in accordance with the provisions of the Environmental and Social Management Framework, including the Indigenous Peoples and Vulnerable Community Planning Framework, and the Resettlement Policy Framework, and each Environmental Management Plan, Resettlement Action Plan, Indigenous Peoples and Vulnerable Community Development Plan and any and all other plans prepared thereunder, and shall ensure that no action is taken which has material adverse effect with such implementation prepared thereunder.
2. In carrying out the Project, NEA shall:
  - (a) take all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out of the Project or any part thereof;
  - (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which would result in such acquisition or displacement, make available to such people compensation and, as applicable, relocate and rehabilitate the Affected Persons in accordance with the RAP and in a manner satisfactory to the Association; and
  - (c) whenever required in terms of the ESMF, RPF, and IP-VCPF, proceed to have a RAP (or RAPs), EMP (or EMPs) and/or IP-VCDP (or IP-VCDPs):
    - (i) prepared in form and substance satisfactory to the Association;
    - (ii) except as otherwise agreed with the Association, submitted to the Association for review and approval; (iii) thereafter, adopted and publicly disclosed; and (iv) thereafter, implemented, or caused to be implemented, in accordance with their terms and in a manner acceptable to the Association.
3. NEA shall:
  - (a) ensure that each contract for civil works required for the Project and to be financed out of the proceeds of the Financing shall include the obligation of the respective contractor to comply with the provisions of the Safeguards Instruments;
  - (b) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Safeguards Instruments;

- (c) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of any of the Safeguards Instruments without the prior written agreement of the Association;
  - (d) not later than March 31, 2015, develop, adopt and make operational a grievance redress mechanism, including the establishment of a grievance review committee, capable of collecting, tracking, and addressing complaints related to activities under the Project, in accordance with the ESMF and in a manner acceptable to the Association; and
  - (e) not later than March 31, 2015, establish dedicated units for the purpose of monitoring implementation of the Safeguards Instruments at each sites of the solar farms under Part 1 (a) of the Project, and provide such units with the staff, funds, facilities, services, and other resources required to discharge its assigned responsibilities.
4. Without limitation to the provisions of Section II, Part A of this Schedule, NEA shall take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:
- (a) the measures taken in furtherance of the Safeguards Instruments;
  - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and
  - (c) remedial measures taken or required to be taken to address such conditions.
5. In the event of any conflict between the provisions of any of the Safeguards Instruments and those of this Agreement or the Financing Agreement, the latter shall prevail.

**D. Annual Work Plans**

NEA shall: (a) prepare not later than April 15 of each year, an annual work plan (the "Annual Work Plan") for the following Fiscal Year in a manner and substance satisfactory to the Association, which plan shall identify activities under the Project by component and subcomponent, together with their related expenditures and financing sources; and (b) thereafter implement the activities under the Project during the relevant Fiscal Year in accordance with such plan as so discussed and agreed with the Association.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. NEA shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in the Results Framework. Each such Project Report shall cover the period of a fiscal trimester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. Without limitation to the provisions of paragraph A.1 above, NEA shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association no later than June 30, 2017, a mid-term review report for the Project, summarizing the result of the monitoring and evaluation activities carried out from the inception of the Project, and setting out the measures recommended to ensure the efficient completion of the Project and the achievement of the objectives thereof during the period following such date.
3. NEA shall provide to the Recipient not later than three (3) months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

**B. Financial Management, Financial Reports and Audits**

1. NEA shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of NEA, including the operations, resources and expenditures related to the Project.
2. Without limitation to the provisions of Part A of this Section, NEA shall prepare and furnish to the Association not later than forty-five (45) days after the end of each fiscal trimester, interim unaudited financial reports for the Project covering the trimester, in form and substance satisfactory to the Association.
3. NEA shall have its financial statements as well as financial statements for the Project referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) Fiscal Year. NEA shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.



4. Without limitation on the provisions of sub-paragraphs 1 to 3 of this Part B, NEA shall:
  - (a) conduct trimester internal audits of operations, resources and expenditures related to the Project, in accordance with consistently applied auditing standard acceptable to the Association, and shall prepare and furnish to the Association not later than three (3) months after the end of each fiscal trimester the internal audit reports covering the fiscal trimester, in form and substance satisfactory to the Association;
  - (b) conduct not later than six (6) months following the first procurement of goods or works, and every six (6) months thereafter, physical verification and reconciliation of such goods and works procured in accordance with the Procurement Plan against the records maintained, pursuant to Section 4.07 (b) of the General Conditions, and shall prepare and furnish to the Association not later than two (2) months after the end of the six-months period, a reconciliation report, in form and substance satisfactory to the Association; and
  - (c) carry out not later than September 30, 2016 all the actions of the FM Improvement Action Plan, in a manner acceptable to the Association

**Section III. Procurement:**

**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding in accordance with the provisions of the Public Procurement Act (and regulations made thereunder), subject to the additional provisions set out in paragraph 3 below; (c) Shopping; and (d) Direct Contracting.
3. **National Competitive Bidding.** The following additional procedures shall apply to goods and works procured on the basis of National Competitive Bidding:
  - (a) Only the model bidding documents for National Competitive Bidding agreed with the Association (as amended from time to time), including qualification criteria shall be used.
  - (b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
  - (c) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders.
  - (d) Bids shall be opened in public in one place, immediately after the deadline for submission of bids.
  - (e) Qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance.
  - (f) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association and contracts shall be awarded to the lowest evaluated bidders.
  - (g) Rebidding shall not be carried out without the prior concurrence of the Association.
  - (h) Extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it

is longer than four (4) weeks and (B) for all subsequent requests for extension irrespective of the period.

- (i) There shall not be any restrictions on the means of delivery of the bids.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**E. Procurement Evaluation Panel**

1. Without limitation to Part D of this Section III, NEA shall, prior to the evaluation of the bidding/selection process of certain contracts as specified in the Procurement Plan, establish, and thereafter maintain, a panel of experts ("Procurement Evaluation Panel") with experience and qualifications in the relevant technical fields, acceptable to the Association, and under terms of reference, acceptable to the Association, for the purpose of carrying out, independently from the PMU, an evaluation of the bidding/selection process of said contracts and, as requested by the Association, of any other contracts to be financed out of the proceeds of the Subsidiary Financing, and report the findings of said evaluation to the PCC and the Association.
2. NEA, through the PCC, shall ensure that the PMU takes into account the findings of the aforementioned evaluation by the Procurement Evaluation Panel in procuring goods, works, and consultants' services, pursuant to the provisions of this Section III.