

CONFORMED COPY

CREDIT NUMBER 1902 NEP

(Third Technical Assistance (Pancheswar) Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NEPAL ELECTRICITY AUTHORITY

Dated November 28, 1988

CREDIT NUMBER 1902 NEP

PROJECT AGREEMENT

AGREEMENT, dated November 28, 1988, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and NEPAL ELECTRICITY AUTHORITY (NEA).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Kingdom of Nepal (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to ten million six hundred thousand Special Drawing Rights (SDR 10,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that NEA agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) the Borrower will make available to NEA out of the proceeds of the Credit as a grant an amount equivalent to SDR 3,080,000; and

WHEREAS NEA, in consideration of the Association's entering

into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

#### ARTICLE II

##### Execution of the Project

Section 2.01. NEA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Parts B and C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and power utility practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part C of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of the Schedule to this Agreement.

Section 2.03. NEA shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Parts B and C of the Project.

Section 2.04. (a) NEA shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts B and C of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) NEA shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Parts B and C of the Project, the accomplishment of the purposes of the Credit, or the performance by NEA of its obligations under this Agreement.

#### ARTICLE III

##### Management and Operations of NEA

Section 3.01. NEA shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and power utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. Without limitation or restriction upon any of its obligation under this Agreement, NEA shall, for purposes of carrying out Parts B, C (i), C (ii), C (iii), C (iv) and C (v) of the Project:

(a) maintain the position of Project Director for each such Parts of the Project, each to be assigned at all times with such power, functions and responsibilities as shall be required to enable each of them to adequately and efficiently carry out such Parts of the Project; and

(b) maintain in such position, officers whose qualifications, experience and terms of reference shall be satisfactory to the Association.

Section 3.03. NEA shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and power utility practices.

Section 3.04. NEA shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) NEA shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) NEA shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than twelve months after the end of each such year: (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of NEA thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify NEA of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation

or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

For NEA:

Nepal Electricity Authority  
Durbur Marg  
Kathmandu, Nepal

Cable address:

BIDYUT  
Kathmandu, Nepal

Telex:

2312 NP

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NEA, may be taken or executed by the Managing Director or such other person or persons as NEA shall designate in writing, and NEA shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Attila Karaosmanoglu  
Regional Vice President  
Asia

NEPAL ELECTRICITY AUTHORITY

By /s/ Mohan Man Sainju  
Authorized Representative

SCHEDULE

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: Procurement Procedures

(a) All vehicles, including spare parts therefor, shall be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with local procedures satisfactory to the Association.

(b) Materials, equipment (except vehicles) and spare parts therefor shall be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three qualified suppliers eligible under the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in May 1985 (hereinafter called the Guidelines) and, where appropriate, from at least three different countries.

Part B: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of the Development Credit Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist NEA in carrying out:

(a) Part B of the Project, NEA shall furnish to the Association a proposed short list of consultants and a draft terms of reference for the Association's comments, and, thereafter, taking into account the Association's comments, if any, employ

consultants with suitable qualifications, experience, and terms and conditions of employment; and

(b) Part C of the Project, NEA shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

