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Project Agreement

(Kabeli Transmission Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NEPAL ELECTRICITY AUTHORITY

Dated June 27, 2011

PROJECT AGREEMENT

AGREEMENT dated June 27, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and NEPAL ELECTRICITY AUTHORITY (“NEA” or “Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between 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 Parts 1 and 2 of 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 said Parts of 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 Parts 1 and 2 of the Project in accordance with the relevant provisions of Schedule 2 to the Financing Agreement and 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	977-1-4153006

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Susan G. Goldmark
Authorized Representative

NEPAL ELECTRICITY AUTHORITY

By /s/ Krishna Hari Baskota
Authorized Representative

SCHEDULE

Execution of Parts 1 and 2 of Project

Section I. Implementation Arrangements

A. Institutional Arrangements

NEA shall maintain at all times during Project implementation the Kabeli Project Unit:

- (a) headed by a Project Manager and staffed with key professionals described in the NEA Project Implementation Plan and appointed with experience, qualifications, functions, terms of reference and resources satisfactory at all times to the Association;
- (b) further structured down in: (A) three corporate level sub-units headed by three chiefs, responsible each for administration; finance and public relations; and environment mitigation respectively; (B) three (3) field sub-units located in Damak, Ilam and Phidim headed each by three (3) qualified engineers;
- (c) responsible for: (A) the effective implementation of all aspects of the management, coordination and supervision of Parts 1 and 2 of the Project, including environmental and social management issues in relation thereto; and (B) the fiduciary aspects of Parts 1 and 2 of the Project, notably the overall procurement, financial management, audit, monitoring and evaluation and reporting in respect thereof; and
- (d) under the overseeing authority of NEA's Grid Development Business Unit for the implementation of Part 1 of the Project and NEA's Distribution and Consumer Services Business Unit (East) for the implementation of Part 2 of the Project.

B. Anti-Corruption

NEA shall ensure that Parts 1 and 2 of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Governance and Accountability Action Plan ("GAAP")

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Governance and Accountability Action Plan.

D. Safeguards.

1. NEA shall carry out Parts 1 and 2 of the Project in accordance with the provisions of the EMP, the RAP and SMF and all plans prepared in respect thereof and shall ensure that no action is taken which would prevent or interfere with such implementation.
2. Without limitation on the provision of paragraph 1 of this Section D, prior to commencing civil works under Part 2 of the Project, NEA shall prepare an environmental management plan, if required, based on the environmental screening criteria and procedures set out in the NEA's Project Implementation Plan, and thereafter implement said environmental management plan in a manner satisfactory to the Association.

E. Implementation documents

1. NEA shall adopt a Project implementation plan, satisfactory to the Association, consisting in various schedules setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of Parts 1 and 2 of the Project, including the following:
 - (i) (A) the detailed description of the implementation activities under Parts 1 and 2 of the Project, their sequencing and the prospective timetable and benchmarks in relation thereto; and (B) the detailed sub-institutional arrangements in respect thereof;
 - (ii) the administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto, including Standard Bidding Documents for the procurement methods set forth in the Procurement Plan and the final form of the interim unaudited financial reports and Financial Statements for the Project and the terms of reference for the financial audits of the Project;
 - (iii) the EMP and all enclosed plans and frameworks, including provisions to guide works under the Project, address erosion control, protection of cultural property under chance find, first aid instructions and the ban on the use of child labor;
 - (iv) the plan for the training and capacity building activities under the Project;

- (v) the plan for the monitoring and supervision of the Project, including all environmental, economic and social aspects in relation thereto; and
 - (vi) the performance indicators for the Project.
2. NEA shall carry out Parts 1 and 2 of the Project in accordance with the NEA Project Implementation Plan. In the event that any provision of the NEA Project Implementation Plan shall conflict with any provision under this Agreement, the provisions of the latter shall prevail. The NEA Project Implementation Plan may be amended from time to time only with the Association's prior written consent.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. NEA shall monitor and evaluate the progress of Parts 1 and 2 of the Project and prepare Project Reports for said Parts of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one fiscal trimester, and shall be furnished to the Recipient not later forty-five (45) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. NEA shall maintain a financial management system and prepare Project 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 the Project Implementing Entity, including the operations, resources and expenditures related to Parts 1 and 2 of the Project. Each audit of the Project Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Project Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
2. NEA shall have its financial statements 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 of NEA. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for Parts 1 and 2 of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.