Financing Agreement

(Rural Water Supply and Sanitation Improvement Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 11, 2014
FINANCING AGREEMENT

AGREEMENT dated July 11, 2014, entered into between NEPAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project"):  

(a) an amount equivalent to fourteen million three hundred thousand Special Drawing Rights (SDR 14,300,000) ("Grant"); and  

(b) an amount equivalent to thirty two million four hundred thousand Special Drawing Rights (SDR 32,400,000) ("Credit").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are May 15 and November 15 in each year.
2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts 2 and 3 (b) and 4 of the Project through MoUD, and shall cause Parts 1 and 3 (a) of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consist of the following: that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following: that the Subsidiary Grant Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

5.02. The Additional Legal Matter consists of the following: that the Subsidiary Grant Agreement has been duly authorized by, and executed and delivered on behalf of, the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payments obligations) shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Secretary, Ministry of Finance.

6.02. The Recipient’s Address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile:

(977-1) 4211-164

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at Kathmandu, Nepal, as of the day and year first above written.

NEPAL

By

Authorized Representative

Name: Madhu Kumar Magazini
Title: Joint Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Bigyan Pradhan
Title: Sr. Operations Officer
SCHEDULE 1

Project Description

The development objectives of the project are to: (i) increase sustainable access to improved water services and promote improved sanitation and hygiene practices in rural areas; and (ii) develop and implement a long-term support mechanism to promote the sustainability of water supply schemes in selected districts.

The Project consists of the following parts:

Part 1 – Access to Improved Water Supply and Sanitation and Promotion of Improved Sanitation and Hygiene Practices

Carrying out of a program of selection, development and implementation of Schemes through:

(a) promotion of participation of communities in the planning, implementation and management of Schemes, including: (a) community mobilization activities; (b) conducting of information campaigns; (c) provision of non-formal education (focused on dalits and women); (d) health hygiene and sanitation activities; and (e) technical support services for women to improve access to formal credit systems;

(b) development and implementation of Schemes, including construction and minor rehabilitation of gravity flow systems, installation of shallow and deep tube wells, dug wells, lift schemes, rainwater harvesting, and catchment protection; and

(c) provision of sanitation sub-grants to VDCs for the purpose of sanitation promotion activities and construction of toilets in schools, health posts and other institutions.

Part 2 – District Level Institutional Strengthening

Promoting the long term sustainability of Schemes in selected districts through enhancing institutional arrangements and strengthening linkages among the key agencies during planning, implementation and post construction of such Schemes, including:

(a) establishing, in each selected district, a WASH unit to strengthen and institutionalize WASH planning (for new, rehabilitation and expansion schemes), support strengthening of D-WASH-CC, manage WSUG support services, facilitate horizontal learning and coordinate with the WASH coordination committee;
implementing a district-wide monitoring and evaluation system to routinely collect and compile data from the Schemes, and link back to the MoUD monitoring and evaluation system;

(c) introducing a backstopping arrangement to ensure that all Schemes are assessed and visited at least once each year in accordance with the criteria;

(d) creating a district-wide water market and networking system to allow WSUGs to share experiences, and find service providers to fix problems as they arise;

(e) facilitating sanitation marketing to strengthen local supply chains for sanitation goods and services, and to increase household demand for improved sanitation and hygiene;

(f) designing and piloting grant eligibility and WSUG grading criteria that create incentives for better management of community water supply services; and

(g) using a phased approach that gradually increases local bodies’ operational and financial responsibility for Part 2 activities and institutions.

**Part 3 – Technical Assistance/Capacity Building and Project Management**

(a) Provision of technical assistance, staff training, goods, and equipment to the Project Implementing Entity and other relevant stakeholders involved in the implementation of Part 1 of the Project in order to support the Project Implementing Entity to fulfill its implementation, monitoring, evaluation and coordination responsibilities under the Project.

(b) Provision of technical assistance, staff training, goods, and equipment to MoUD and other relevant stakeholders involved in the implementation of Part 2 of the Project in order to support MoUD to fulfill its implementation, monitoring, evaluation and coordination responsibilities under the Project.

**Part 4 – Contingent Emergency Response**

Providing immediate response to an Eligible Crisis or Emergency.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. For the purposes of carrying out its Respective Parts of the Project, the Recipient shall maintain the Project management unit within MoUD with an adequate number of professional staff with skills, qualifications, experience and terms of reference satisfactory to the Association, to enable the PMU to: (i) undertake monitoring, evaluation, and safeguards coordination; (ii) manage the interface with the Association, including fulfilling Project reporting requirements; and (iii) provide specialized technical inputs on demand to Project stakeholders.

2. The Recipient shall maintain the Project Steering Committee with representation and terms of reference satisfactory to the Association, for the purposes of providing guidance during Project implementation.

3. For purposes of Part 2 of the Project, the Recipient shall establish and thereafter maintain for the duration of the Project in each Participating District, each with an adequate number of professional staff with skills, qualifications, experience and terms of reference satisfactory to the Association, a District WASH Unit responsible for (a) carrying out Part 2 of the Project within such Participating District; and (b) liaising with the appropriate D-WASH-CC, V-WASH-CC, DDC and VDC.

B. Subsidiary Grant Agreement

1. To facilitate the carrying out of the Project Implementing Entity’s Respective Parts of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time to Categories (1), (2), (3) and (4) available to the Project Implementing Entity under a subsidiary grant agreement between the Recipient and the Project Implementing Entity, with terms and conditions satisfactory to the Association (“Subsidiary Grant Agreement”).

2. The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any of its provisions.
C. Implementation

The Recipient shall: (i) carry out its Respective Parts of the Project in accordance with the Project Operations Manual; and (ii) take all measures necessary to ensure that activities of the Project Implementing Entity, VDCs, SAs and SOs under the Project are carried out in conformity with the Project Operations Manual and the GAAP. In the event of any inconsistency between the Project Operations Manual or the GAAP and this Agreement or the Project Agreement, the provisions of this Agreement or the Project Agreement, as the case may be, shall apply.

D. Anti-Corruption

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

E. Safeguards

1. For the purposes of ensuring that the Project is implemented in accordance with sound environmental and social practices and standards, the Recipient shall and shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of the Safeguards Instruments and Section I, Part D of the Schedule to the Project Agreement.

2. Except as the Association shall otherwise agree in writing, the Recipient shall not, and shall ensure that the Project Implementing Entity shall not, assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, any provision of the Safeguards Instruments. In the event of any inconsistency between the Safeguards Instruments and this Agreement or the Project Agreement, the provisions of this Agreement or the Project Agreement, as the case may be, shall apply.

F. Provisions Specific to the Contingent Component for Disaster Risk Reduction (Part 4 of the Project)

1. In order to ensure the proper implementation of Part 4 of the Project, the Recipient shall:

(a) prepare and furnish to the Association for its review and approval an operations manual (“CER Operations Manual”) which may be a supplement to the Project Operations Manual and which shall set forth detailed implementation arrangements for the CER Component, including: (i) designation of, terms of reference for and resource to be allocated to, the entity to be responsible for the coordination and implementation of the CER Component (the “Coordinating Authority”);
(ii) specific activities which may be included in the CER Component, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the CER Component; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CER Component; (v) documentation required for withdrawals of Emergency Expenditures; (vi) satisfactory environmental and social safeguards instruments, which may be supplements to the Safeguards Instruments, including management frameworks, assessments and/or plans for the CER Component; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the CER Component;

(b) afford the Association a reasonable opportunity to review said proposed CER Operations Manual;

(c) promptly adopt the CER Operations Manual for the CER Component as shall have been approved by the Association;

(d) ensure that the CER Component is carried out in accordance with the CER Operations Manual, provided however that in the event of any inconsistency between any of the provisions of the CER Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive, whether in whole or in part, any provision of the CER Operations Manual without the prior approval by the Association.

2. The Recipient shall maintain throughout the period of implementation of the CER Component, the Coordinating Authority, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the CER Component (and no activities shall be included in the CER Component) unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred; has furnished to the Association a request to include said activities in the CER Component in order to respond to said Eligible Crisis or Emergency; and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CER Operations
Manual, the Association has approved all such instruments, and the Project Implementing Entity has implemented all actions which are required to be taken under said instruments prior to the commencement of such activities.

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

A. **Project Reports**

1. The Recipient 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 indicators acceptable to the Association and set out in the Project Operational Manual. Each Project Report shall cover the period of one (1) Fiscal Year 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.

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

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each Fiscal Year, trimester, interim unaudited financial reports for the Project covering the Fiscal Year, trimester, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. **Procurement**

A. **General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting 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 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, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set out in Part E of this Section III; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Direct Contracting; (f) Force Account; (g) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; (h) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Association; and (i) Community Participation procedures which have been found acceptable to the Association.

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) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; (g) Selection of any relevant UN Agency; (h) Selection of consultants under Indefinite Delivery Contract or Price
Agreement; (i) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (j) 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. National Competitive Bidding

The following additional procedures shall apply to goods and works procured on the basis of National Competitive Bidding:

1. 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;
2. Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
3. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
4. Bids shall be opened in public in one place, immediately after the deadline for submission of bids;
5. 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;
6. 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;
7. Rebidding shall not be carried out without the prior concurrence of the Association;
8. 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; and
9. There shall not be any restrictions on the means of delivery of the bids.

E. Procurement of Emergency Expenditures under the CER Component

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for activities included in the CER Component shall be
procured in accordance with the procurement methods and procedures set forth in the CER Operations Manual.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and under Part 1(b) of the Project:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Development Phase</td>
<td>3,440,000</td>
<td>1,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Implementation Phase</td>
<td>15,710,000</td>
<td>5,960,000</td>
<td>70%</td>
</tr>
<tr>
<td>(c) Institutional Toilets</td>
<td>2,960,000</td>
<td>1,120,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services, Training, goods under Parts 1 and 3(a) of the Project</td>
<td>4,200,000</td>
<td>1,590,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs of the Project Implementing Entity under Parts 1 and 3(a) of the Project</td>
<td>760,000</td>
<td>290,000</td>
<td>40%</td>
</tr>
</tbody>
</table>
(4) Sanitation Sub-grants under Part 1(c) of the Project  | 490,000  | 190,000  | 100% of amounts disbursed
(5) Consultants’ services, training and goods under Part 2 and 3(b) of the Project  | 4,700,000  | 1,800,000  | 100%
(6) Incremental Operating Costs of MoUD under Parts 2 and 3(b) of the Project  | 140,000  | 50,000  | 40%
(7) Emergency Expenditures for the CER Component  | 0  | 0  | 100%
(8) Refinancing of Project Preparation Advance  | 2,000,000  |
TOTAL AMOUNT  | 32,400,000  | 14,300,000

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 2,000,000 equivalent may be made for payments made prior to this date but on or after July 16, 2013, for Eligible Expenditures under Categories (1) and (2); or

(b) under Category (7) unless and until:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, have furnished to the Association a request to include certain activities in the CER Component in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request, and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed all safeguard instruments, acceptable to the Association, required for said activities, and has implemented any actions which are required to be taken under said instruments all in accordance with the provisions of Section I.F.3(b) of this Schedule 2;
(iii) the Recipient's Coordinating Authority has adequate staff and resources in accordance with the provision of Section I.F.2 of this Schedule 2 for the purposes of said activities; and

(iv) the Recipient has adopted a CER Operations acceptable to the Association and the provisions of the CER Operations Manual remain, or have been updated in accordance with the provisions of Section I.F of this Schedule 2, so as to be appropriate for the inclusion and implementation of said activities under the respective CER Component.

2. The Closing Date is June 30, 2020.
**SCHEDULE 3**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15: commencing November 15, 2024 to and including May 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing November 15, 2034 to and including May 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Definitions


2. “Batch” means a group of schemes for the planning and/or implementation of which support is being provided or will be provided by a Support Organization.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “CER Component” means Part 4 of the Project, as described in Schedule 1 to this Agreement.

5. “CER Operations Manual” means the immediate response mechanism operations manual referred to in Section I.F1.(a) of Schedule 2 to this Agreement, acceptable to the Association to be adopted by the Recipient for the implementation of the CER Component, in accordance with the provision of said Section.


7. “Coordinating Authority” means the entity or entities designated by Recipient in the CER Operations Manual, and approved by the Association pursuant to Section I.F.1.(a)(i) of Schedule 2 to this Agreement, to be responsible for coordinating their respective CER Component.

8. “DDC” means District Development Committee.

9. “Development Phase”, means with respect to water supply schemes to be constructed under Part 1 of the Project, the formation and constitution of the WSUG, the design and appraisal of the scheme, and the collection of user contributions and opening a Bank account

10. “DoLIDAR” means the Department of Local Infrastructure Development and Agriculture Roads within MoFALD, or any successor thereto.

12. "DWSS" means the Department of Water Supply and Sewerage in MoUD, or any successor thereto.

13. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

14. "Emergency Expenditures" means any of the eligible expenditures set forth in the CER Operations Manual, in accordance with the provision of Section I.F.1.(a)(ii) of Schedule 2 to this Agreement and required for the activities described in such manual to be financed under the said CER Component.

15. "Environmental and Social Management Framework" and "ESMF" mean the Project Implementing Entity's framework, publicly disclosed on December 15, 2013, acceptable to the Association, for undertaking environmental and social analysis and developing mitigation measures for all Project activities, and providing, among other things, for: (a) the institutional arrangements for implementation of environmental safeguards in the carrying out of the Project and the Schemes; (b) details of potential environmental issues that may arise under the proposed Schemes or other Project activities and the necessary background for environmental considerations to be built into the design of such activities; (c) detailed guidelines on when and how to prepare Environmental Management Action Plans; (d) guidelines and procedures for social safeguard screening and impact assessment, including guidelines and procedures for stakeholder consultation and participation; (e) details of the potential positive and adverse effects of the proposed Schemes or other Project activities on indigenous peoples; (f) a framework for ensuring free, prior, and informed consultation with any affected indigenous peoples' communities; (g) institutional arrangements for screening Project-supported activities, evaluating their effects on indigenous peoples, and preparing Indigenous People’s Development Plans; (h) measures, procedures and guidance to ensure that there is no involuntary land acquisition under the Project and that any land donation is voluntary and does not lead to physical displacement or any significant adverse impacts upon incomes of any donor households; (i) measures to monitor and report upon activities for environmental and social impacts, and, if necessary, to assist in mitigation of such impacts; and (j) a grievance redress mechanism.

16. "Environmental Management Action Plan" and "EMAP" mean each plan, acceptable to the Association, to be adopted by the Recipient pursuant to the ESMF setting forth specific actions, measures and policies designed to maximize the benefits of the Project, as well as eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, along with administrative and monitoring arrangements to ensure the implementation of said actions, measures and policies, as each such EMAP may be revised from time to
time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.

17. “Formation Order” means the Recipient’s Formation Order dated March 14, 1996 establishing the Board, as amended;

18. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

19. “Governance and Accountability Action Plan” and “GAAP” means the Recipient’s action plan dated April 2, 2014, that seeks to ensure good governance, conflict-sensitivity, transparency and accountability, and inclusion in the management of Project activities.

20. “Implementation Phase” means the phase in which the construction of the Schemes selected, planned and designed under the Development Phase (as herein defined) is carried out and completed.

21. “Incremental Operating Costs” means the reasonable operating costs, incremental to the Project, incurred on account of implementation, management and monitoring, dissemination of Project-related information, office equipment, consumables, maintenance and repair of vehicles, vehicle rental/leasing, equipment maintenance and repair, travel, including travel to Project sites, communication, commercial bank charges, advertising, and other costs directly associated with the Project, but excluding the salaries and benefits of the Recipient’s civil servants.

22. “Indigenous People’s Development Plan” and “IPDP” means each plan, acceptable to the Association, to be prepared by the Recipient pursuant to the ESMF in consultation with the local communities, describing a program of actions, measures and policies designed to maximize the benefits accruing to indigenous people under the Project, as each such IPDP may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan;

23. “Institutional Toilets” means the toilets to be installed in given institutions such as schools and health posts under Part 1 (c) of the Project.


26. "Participating District" means a district of the Recipient selected to receive support under Part 2 of the Project aimed at enhancing institutional arrangements and strengthening linkages among the key agencies of such district during planning, implementation and post construction of Schemes within such district.


28. "Procurement Plan" means the Recipient’s procurement plans for the Project, dated March 7, 2014 and March 27, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

29. "Project Implementing Entity’s Legislation” means the Recipient’s Formation Order dated March 14, 1996 establishing the Board, issued pursuant to Section 3 of the Recipient’s Development Board Act, 2013 (1956), as amended from time to time.

30. "Project Implementing Entity” or “Board” means the Rural Water Supply and Sanitation Fund Development Board established by the Formation Order (as hereinafter defined), issued pursuant to Section 3 of the Recipient’s Development Board Act, 2013 (1956), as amended from time to time.

31. "Project Management Unit” and “PMU” mean the unit established within MoUD and to be maintained by the Recipient as set forth in Schedule 2, Section I, Part A.1 of this Agreement for the purposes of Project coordination and the implementation of the Recipient’s Respective Parts of the Project.

32. "Project Operations Manual” means the manual, dated May 16, 2014, satisfactory to the Association, adopted by the Recipient which sets forth, *inter alia*, (a) a description of the institutional arrangements related to the Project; (b) the administrative and financial procedures related to the Project, including accounting, financial reporting and auditing procedures; (c) the procedures for procurement, disbursement, supervision, monitoring and impact evaluation in respect of the Project; (d) the terms and conditions for the selection and development of Schemes; and (e) the monitorable indicators for the Project, and such expression includes any annexes or schedules to such manual, as such manual may be revised from time to time with the prior written approval of the Association.

33. "Project Preparation Advance” means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement dated August 14, 2014, signed on behalf of the
Association on August 14, 2014 and on behalf of the Recipient on September 24, 2014.

34. “Project Steering Committee” and “PSC” mean the committee established by the Recipient and to be maintained as set forth in Schedule 2, Section I, Part A.2 of this Agreement for the purposes of providing guidance during Project implementation.

35. “Respective Parts of the Project” means: (a) with respect to the Recipient, Parts 2 and 3(b) and Part 4 of the Project; and (b) with respect to the Project Implementing Entity, Parts 1 and 3(a) of the Project.


37. “Safeguards Instruments” means, collectively, the Environmental and Social Management Framework, each Environmental Management Action Plan prepared thereunder, and each Indigenous Peoples Development Plan, and such term includes any annexes or schedules to such instruments.

38. “Sanitation Sub-grants” means grants under Part 1(c) of the Project for Sanitation Sub-projects.

39. “Sanitation Sub-projects” means those activities under Part 1(c) of the Project to be undertaken by VDCs for the purposes of financing sanitation promotion activities, in each case in accordance with the requirements of the Project Operations Manual, the Project Agreement and this Agreement.

40. “Scheme” means a specific sub-project to improve water supply and sanitation services, in each case in accordance with the requirements of the Project Operations Manual, the Project Agreement and this Agreement.

41. “Service Agency” or “SA” means any non-governmental agency, established or recognized under the prevalent laws of the Recipient, including consultants and academicians selected by the Project Implementing Entity to provide training, monitoring and evaluation, SO (as hereinafter defined) field assessments, Scheme site appraisals, water quality testing, auditing support and services and other specialized services to the Board under the Project.

42. “Subsidiary Grant Agreement” means the agreement referred to in Schedule 2, Section I, Part B to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.

43. “Support Organization” or “SO” means a non-governmental organization, community based organization or private sector institution or entity, established
or recognized under the prevalent laws of the Recipient, and selected by the Project Implementing Entity to: (a) provide necessary support to a WSUG (as hereinafter defined) for planning and implementing a Scheme; and/or (b) to mobilize any other organization with such objective.

44. “VDC” means Village Development Committee.

45. “V-WASH-CC” means the WASH Coordinating Committee.

46. “WASH” means Water Supply, Sanitation and Hygiene.

47. “WSUG” means a Water Supply and Sanitation User Group registered under the Recipient’s Water Resources Act, 2049 (1992), and Water Resources Regulations, 2050 (1993), consisting of local people willing to voluntarily contribute necessary support for the purposes of planning, implementation and an operation Scheme and deriving water supply and sanitation benefits therefrom.