

General Terms and Conditions for R&D Projects Supported by EnergizeNepal Project

July 2018

List of abbreviation

ENEP : EnergizeNepal

ENF : EnergizeNepal Funding

IPR : Intellectual Property Right

KU : Kathmandu University

NWH : Normal Working Hours

OWH : Overtime Working Hours

PAC : Project Advisory Committee

PMU : Project Management Unit

PSC : Project Selection Committee

R&D : Research and Development

RENAP II : Renewable Nepal Phase II

2.1. Definition and Interpretation

The following words and expressions in this General Terms and Conditions shall have the meanings assigned to them except where the context otherwise requires:

- 2.1.1 “EnergizeNepal” means the EnergizeNepal Project owned by Kathmandu University, Nepal and funded by Ministry of Foreign Affairs (MFA), Norway. In all day to day matters, “EnergizeNepal” is represented by the Project Management Unit (PMU), at Kathmandu University.
- 2.1.2 “Project” means an R&D Project in context supported by the EnergizeNepal Funding.
- 2.1.3 “Project Owner or Principal Applicant” means an organization to which an R&D Project is awarded by EnergizeNepal by signing a Project Contract.
- 2.1.4 “Project Administrator” is an administrative authority in the Project Owner organization, a person responsible for a division in which the Project is being implemented. The Project Administrator is an interface between the Project and the Project Owner organization executive body. The Project Administrator facilitates the Project related decision making in the Project Owner organization, in relation to the Project Owner organization’s rules and regulations. The Project Administrator takes up the role of Institutional Contact Person, unless specified otherwise. The Project Administrator is an integral part of the Internal Evaluation of the project progress and advises the Project Leader for efficient execution of the project plans.
- 2.1.5 “Project Leader” is the main responsible for all technical and administrative activities within the Project. The Project Leader is the main link between EnergizeNepal and the Project for all Project related communications. The Project Leader designs and implements/executes the Project on behalf of the Project Owner. The Project Leader has the authority to employ project staff and authorize all financial transactions related to the Project and delegate the authority to any Activity Leader.
- 2.1.6 “Project Partner” is an organization, which implements/executes part of the project activities in collaboration with the Project Owner according to the Project Consortium Agreement and approved Work Plan, Schedule, and Budget. Project Partner organization shall appoint an Activity Leader in relation to the project activities in the partner organization.
- 2.1.7 The “Activity Leader” of a partner organization is responsible for all technical and administrative activities in the partner organization in relation to the execution of the Project. The Activity Leader of the partner organization will regularly communicate with the Project Leader for the project related matters. The Activity Leader of the partner organization is an interface between the Project and the project partner organization’s executive body. The Activity Leader has the authority to employ project staff and authorize all financial transactions related to the Project in the partner organization, with the permission from the Project Leader.
The Activity Leader of the partner organization shall not be confused with a general activity leader assigned to lead activities in the work plan of the project.
- 2.1.8 “Project Contract” is the contract signed between the Project Owner and EnergizeNepal regarding the R&D Project. It describes all primarily essential aspects regarding the Project.
- 2.1.9 “Project Consortium Agreement” is an agreement between the Project Owner and Partners to efficiently execute the Project in a collaborative framework and share the benefits of the Project. The agreement defines the roles and responsibilities of the Partners, communications methods, methods of sharing the physical and intellectual properties generated in the Project, method of resolving disputes, overall partnership management, contribution requirements, etc.; in relation to the collaboration regarding the implementation of the Project. The Project Consortium Agreement is signed by the Project Administrator on behalf of the Project Owner organization and by designated persons of the partner organizations.

- 2.1.10 "Contribution in Cash" is a contribution from the Project Owner or Partner or any Third Party to the implementation of the Project and is transferred in cash to Project Account for a purpose as decided by the Project.
- 2.1.11 "Contribution in Kind" is a contribution from the Project Owner or Partner or any Third Party in terms cofounding the services or facilities or goods solely to be used by the Project, in a way that the equivalent monetary value of the services, use of facilities, or use goods are appropriately accounted and no payments are demanded or received from the Project or EnergizeNepal.
- 2.1.12 "Invoice to Project" is a mechanism of getting goods and services in the Project to be paid from the Project Account to the supplier or provider.
- 2.1.13 "Third Party" means the party not directly related to the Project.

2.2 Execution of the Project

2.2.1 Work Plan, Schedule, and Budget

The Project shall be executed by the Project Owner or Principal Applicant in collaboration with the Partners in accordance with the approved Work Plan, Schedule and Budget as set forth in the Project Contract and any subsequent updates in it. The Project Owner and Partners cannot invoke conditions not written in the Project Contract and subsequent updates as approved by EnergizeNepal.

Project Work Plan, Schedule, and Budget are updated annually, depending on the actual project activities and actual expenditures. The Project Owner shall make update request at the time of submission of bi-annual Reports. A written response from EnergizeNepal is required regarding the changes or updates that are accepted and changes or updates that are rejected or adjusted.

2.2.2 Fund Disbursement from EnergizeNepal

EnergizeNepal will disburse fund to the Projects annually.

As soon as the Project Contract is signed and the Project Consortium Agreement is approved, the Project Leader or Administrator shall send a request to EnergizeNepal for the disbursement of first instalment which is 60% of the First Year EnergizeNepal Funding part of the project budget. **This will accompany the submission of a detailed first year Work Plan, Schedule, and Budget, in the format prescribed by EnergizeNepal and in line with the Project Contract and updates to it.** The funding will be disbursed to the Project Owner in Nepalese Rupees. EnergizeNepal will generally respond within THIRTY DAYS to the submission of the request and subsequently disburse the fund within THIRTY DAYS of the approval.

Other disbursements from EnergizeNepal are made according to the Annual Report and subsequent detailed Work Plan, Schedule and Budget for the Next Year. The disbursement will be based on the approval of the Report, Expenditures, Work Plan, Schedule, and Budget. EnergizeNepal will generally respond within THIRTY DAYS of the submission. EnergizeNepal will then disburse the fund according to the Annual Report and the Budget of the Next Year approved, in a way that 60% of the cost of activities approved from EnergizeNepal funding for Next Year is disbursed and actual cost approved from EnergizeNepal for the previous year is covered.

The final disbursement if needed will be based on the approval of the Final Report and will cover all approved cost from EnergizeNepal part of the funding. **Any unspent fund in the Project shall be returned to EnergizeNepal.** EnergizeNepal will not be obligated to make fund disbursement for the costs exceeding the approved EnergizeNepal Funding (ENF) to the Project. Under special circumstances only, EnergizeNepal may consider disbursement for actual expenditure exceeding the ENF approved. Moreover, EnergizeNepal **under no condition will disburse fund exceeding 5% of the ENF approved.** Other conditions may apply to the final disbursement, refer to Section 2.2.3.

The contract incorporates a condition on use of interest, on the fund disbursed by EnergizeNepal to the projects, explicitly on all project contracts and updates such that the interest is considered a part of the EnergizeNepal funding, unless agreed otherwise.

2. 2.3 Limits in the Project Spending and Other Limits

The limits on project spending from the Total EnergizeNepal Funding (ENF) are given in Table below, along with other limits on project financing.

Table: Limits on Project Spending from the EnergizeNepal Funding

Annual Budget vs. Actual Annual Expenditure	Other Programme Limits
+10% maximum in total annual budget and +20% of budget in individual budget heading; For one year duration project, the limit is +5% maximum.	Minimum 50% of ENF shall be in the cost of activities in Nepal Contribution from the project owner and partners must be minimum 30%

Note: EnergizeNepal under no condition will disburse fund exceeding 5% of the ENF approved. Project applicants shall consider content of this table as the contracting limits.

The minimum contribution in the project from project owner and partners must be 30%.

If a Project has not observed the limits, EnergizeNepal will have rights to adjust the annual or final disbursement.

2.2.4 Project Accounting

The Project should set up separate account for the project at project owner and partner organizations. The accounts must be set up in a commercial bank (recommended) or in the accounting system of the organization in a way that automated account statement can be generated at any convenient time. Any fund requirement for Partners shall be made available from these accounts on the basis of evidence of actual expenditures. Funds may be made available to other Partners or other entities in advance on the requests for project specific tasks, with specific dates for advance clearance. The advance is cleared on the basis of evidences of actual expenditures. The Project Leader handles the account at the Project Owner organization and approves all the payments from the account. The Activity Leader in Partner organization approves all the payments from the project account at partner organization.

All the payments from the Project account shall be based on appropriate evidences and justifications. The Project Leader and the Activity Leader should keep records of all financial transactions in originals or copies. If the originals are to be required by the respective organizations, then copies of all transactions are to be kept, preferably both in electronic form (scanned document) and paper form. Later, **certified copies by the Project Leader or the Activity Leaders are needed to be submitted to EnergizeNepal at the time of Annual Reporting.** The record of transactions shall be arranged according to the budget headings, separating personnel costs and other costs, in the sequential order of date of expenditure.

For regular personnel costs, employment contract, time sheet of work, and pay-sheet are needed. For short-term personnel costs (less than 3 months), the award of work defining the assignment details and wage, the statement of work, and the pay-sheet are needed.

For the cost of equipment, tools, materials and services, appropriate invoices or bills or payment receipts along with payment order or debit note or payment approval note are needed. Any cost that may not be accounted easily (such as rent of space, electricity, water, use of equipment, use of tools, etc.) shall be based on a rational claim and shall be approved by the Project Leader or the Activity Leader. Any other minor cost that has actually occurred but sufficient evidence could not be obtained shall be accompanied with a claim and justification for not having sufficient

evidence. The Project Leader or the Activity Leader may approve or disapprove or adjust such claims of costs.

The Project Leader and the Activity Leader shall also keep record of all the Contributions in Kind in exactly similar way described above with similar evidences. The statement of contributions shall be prepared based on the evidences and statements/approval by the Project Leader or the Activity Leader. Contributions may not be counted without similar evidences and justifications as needed by the actual cash transactions. If a contribution is made in the form of procurement or construction of a durable (buildings or setups of some form, equipment, computers, furniture, etc.), the total cost of procurement or construction may not be considered contribution, unless the life of such durable ends within the project period and it is procured or constructed solely for use by the Project. Contribution of in kind for any durable will generally be counted based on the equivalent value of its actual use in the project.

Administrative and other personnel services contributions in kind may be estimated by using an appropriate value for the time costs and reported by the Project Leader or the Activity Leader as contributions.

All project costs must be in accordance to the local standard costs for certain action in a particular activity location.

All expert/leader costs shall generally come under the Expert Services.

Any mission (domestic/international travel, field visit) costs accounting must be based on a predefined arrangement for the coverage of the mission costs, both Invoice to Project and Contribution in Cash/Kind parts. The mission eligible costs for the Invoice to Project mode are: cost of cheap means of transportation (discounted economy class return air ticket for air travel, train and buses), accommodation costs at tourist class hotels, local transportation costs, food cost, pocket expenses, communication costs, others as necessary for the mission. Food costs and pocket expenses, accommodation cost included or excluded, may be claimed as per diem or daily allowance (a fixed amount per day from date of departure for the mission to date of departure from the mission). Daily allowances claim for a mission shall be based on already defined rate or mechanism and shall be based on evidence of mission, and approval by the Project Leader or the Activity Leader. The per diem for foreign travels shall generally be in foreign Government rates. Partner organization rules shall be followed.

Any foreign currency expenses in the Project shall be converted to the expenses in local currency by referring to one or combination of the following exchange rate sources.

1. Actual Exchanged Rate based on evidence of exchanges
2. Nepal Rastra Bank (<http://www.nrb.org.np/>) for daily rates and average rates
3. Other commercial bank exchange rate

In overall, the project accounting shall be kept in a way that all costs related to the implementation of the project including contributions are transparently and realistically accounted for in the total cost of project implementation and relevant documentary evidences are available.

2. 2.5 Employments in the Project

2.2.5.1 General Conditions of Employment in the Project

Employments may be provided in the Project for any duration inside the project period. The following persons are employed for entire project period unless specified otherwise.

1. The Project Administrator
2. The Project Leader
3. Activity Leaders of Project Partners

The Project shall normally employ personnel on the following basis.

1. Hourly basis: for all employments on flexible timing; the work is reported/invoiced by filling hourly time sheet for an appropriate period (usually a month)
2. Monthly basis: for all regular time employments full-time or part-time; the work is reported/invoiced by filling a monthly time sheet with hourly/daily work description
3. Daily basis: Short term employments on daily wage basis; the work is reported/invoiced by filling daily time sheet; for example, field data collection support staff.

Employment shall generally be in line with the unit, quantity, rate, and total defined in the project budget. Deviations shall be on valid and justifiable reasons.

For all employments in the Project of duration 3 months or above, an employment contract should be made. Short term employments of less than 3 months of service duration may be provided with simple work assignment details and remuneration definition.

The personnel with their names mentioned in the Original Contract may be employed according to the Work Plan, Schedule, and Budget. Others should be employed on a competitive basis with a public call in an appropriate media. Women should be given priority for R&D employments.

The salary rate for any employment shall be in accordance to the standard gross salary in the employer organization or the place of work corresponding to the qualification of the staff.

Employment conditions must be acceptable to the employee, the employer organization, and the place of work.

In general, no personnel shall be allowed to work in the Project without employment contract or work assignment details and confidentiality agreement.

Transparent and fair employment procedures and conditions are required, abiding by the regulations of the employer organization, place of work, and labour laws of respective countries.

2.2.5.2 Employers in the Project

The following persons will employ following project staff in the project unless specified otherwise.

1. The contract signing authority of Project Owner Organization employs the Project Administrator
2. The Project Administrator employs the Project Leader
3. The contract signing authority of Partner Organization employs the Partner Activity Leader
4. Other employments are provided according to the Work Plan and Budget on Schedule by the Project Leader or Activity Leaders with approval from the Project Leader.

2.2.5.3 Classification of Working Hours

The following two classes of working hours may be used.

1. Normal Working Hours (NWH)
2. Overtime Working Hours (OWH)

The definition of NWH and OWH are dependent on the total regular employment/involvement status of the employee that includes the employment/involvement in the project and elsewhere. In general, NWH employment is considered when the total regular employment/involvement hours in a month of the employee is within the regular full-time standard effective working hour per month of the place of work or employer organization. It is estimated based on standard working hour per day and working days per month. It is irrespective of the working time of the day.

OWH employment is generally considered when the total regular employment/involvement hours of the employee (including all current employments) exceeds the NWH standard per month and the service of such personnel is absolutely necessary on OWH for the operation of the Project. OWH employments shall be precisely defined and shall observe the limits on maximum effective working hours per day, maximum working hours on holidays, and total

maximum working hours per month, in a way that over stressed working condition in overall regular working of the employee is avoided. **OWH assignments must be agreed between the employer and the employee, stating the reason for need of OWH works.**

The employment contract shall clearly mention the NWH employment and OWH employment conditions, including salary for NWH and OWH. NWH and OWH salary may be same or different. OWH salary rate cannot be greater than 150% of the NWH rate.

Separate time-sheet of work is needed from the employee for NWH and OWH works. Fair, reasonable, and transparent NWH and OWH employments and works are the joint responsibilities of the employer and the employee.

Leave or partial absence of the staff from duties on personal reasons in NWH may be compensated by working in off working hours or holidays within a limit and should be reported in NWH time-sheet.

2.2.5.4 Assignment to Work in the Project from the Primary Employer

If the employee is already a full-time employee of an organization (primary employment organization including the Project Owner and the Partners), then the primary employment organization shall/may officially assign the employee to work in NWH in the Project. The mode of employment may be "Contribution in Kind", "Invoice to Project by the Primary Employer", "Invoice to Project by the Employee", or mixed. Any additional encouragement allowance to the employee resulting from the assignment in the Project in "Invoice to Project by the Primary Employer" shall be the responsibility of the primary employment organization. Separate time-sheets of work for "Contribution in Kind", "Invoice to Project by the Primary Employer" and "Invoice to Project by the Employee" are needed from the employee. Personnel cost "Contribution in Kind" from the employer organization is only possible from the assignment to work in NWH of the primary employment organization.

It is imperative that the Project Owner and the Project Partners organizations are obliged to assign the Project Leader, Partner Activity Leaders, and any other full-time employee of the organization mentioned as project employee in the Project Contract to work in the NWH of the organization, as necessary according to the project contract.

2. 2.5.5 Employment to Students in R&D Works

EnergizeNepal encourages projects to provide as much R&D jobs as possible to young researchers locally, particularly encouraging graduate programme students. The students may be employed as researchers if they are

1. allowed to officially work in the project for indicated number of hours per week/month in their academic programme and
2. preferably doing their academic project/thesis work under a related theme as the funded project title.

An Employment/Fellowship Contract shall be made for the students considering their total involvement requirements in the regular Academic Programme in such a way that their regular academic activities are not adversely affected by the employment in the project. **NWH and OWH limits for students should be very carefully considered, and they shall normally be entitled to obtain payments for their entire work.** Student employments must be endorsed by the Academic Supervisor and Academic Administrator.

2.2.5.6 Personnel Hours Contribution in Kind

The "Contribution in Kind" in the Project from personnel shall be appropriately supported by their overall working status. The "Contribution in Kind" in terms of Personnel Hours normally results from the assignment from the Primary Employment Organization to work in the Project in NWH without demanding payment or demanding less payment than deserving from the Project for the work, while the Personnel receives at least the normal salary payment for the hours

dedicated for work in the Project from the Primary Employment Organization or in parts from both the Primary Employment Organization and the Project.

An employee or any relevant person may privately make “Contribution in Kind” in the Project in terms of Personnel Hours if the employee or the person has already secured the normal salary by working in the Project and/or elsewhere as a regular employee.

In general, students **MAY NOT** work in the project in “Contribution in Kind” mode. **This condition may be relaxed if the student’s academic project is directly related to the R&D Project.**

2.2.5.7 Essentials in the Employment Contract

In order that a transparent mechanism is used in the employments and salary/contribution calculations, the following items are generally regarded as essentials in the Employment Contract. The information should be as per the current overall employment/involvement status of the employee. If the status changes, contract shall be revised.

1. Name of the Employee:
2. Date of Birth:
3. Personal Address (mailing, e-mail, phone):
4. Highest Academic Qualification (if student, Programme and year):
5. Relevant Equivalent Work Experience Years (as recognized by the employer):
6. Period of Employment in the Project:
7. Primary Place of Work (Project Owner or Partner Organization or other):
8. Position in the Project:
9. Equivalent Full-Time Position in the Place of Work or Employer Organization:
10. Normal Working Hour in a Day in the Place of Work:
11. Effective Working Hour per Day in the Place of Work:
12. Approximate Working Days and Hour per Month in the Place of Work:
13. Salary Per Month and Per Hour of the Equivalent Position:
14. Nominal NWH per month considered by the Project:
15. Maximum OWH per month considered by the Project:
16. Time Basis of Employment in the Project and Salary:
 - a. Hourly (considered as the general basis of employment in the project, flexible hours)
 - i. Nominal X NWH hours per month or X NWH hours per/in period, NWH salary per hour (SPH)
 - ii. Maximum additional Y OWH hours per month or Y OWH hours per period/assignment, OWH salary per hour, OWH assignment details
 - b. Monthly (Full time or regular employment)
 - i. Fixed time from AB:CD to EF:GH hrs, effectively X hour per day, approximately Y days per month
 - ii. Flexible time, effectively X hours per day, approximately Y days per month
 - iii. Salary per month
 - iv. Allowed paid leave per month/year and/or total in the period of employment, salary deduction rate per day for extra leave in a month, any yearly bonus (for regular employee with major time contribution)
 - v. Maximum additional Y OWH hours per month, OWH salary per hour, OWH assignment details
 - c. Daily
17. Other Employment/Involvement Status than the Project
 - a. For Regular Employment/Involvement in Any Organizations
 - i. Time Basis of Employment/Involvement in Other Works than the Project:
 - ii. Total Employment/Involvement Hours: X Hours per month
 - iii. If the employee is assigned to work in the Project by Primary Employer
 1. Total hours per month or per period assignment:
 - a. Basis of assignment

- b. Invoice to Project (from employer/employee)
 - c. Contribution in Kind
 - d. Invoice to Project X hours and Contribution in Kind Y hours
 - b. For Students
 - i. Time Basis of Involvement in the Academic Programme: Full-time or Part-time
 - ii. Availability to work in the Project (considering relevance of academic research or project to this Project): Total X NWH and maximum Y OWH per month
- 18. Job Responsibilities:
- 19. Time Sheets Requirements: (mention all applicable)
 - a. Invoice to Project
 - i. NWH time-sheet
 - ii. OWH time-sheet
 - b. Contribution
 - i. NWH time-sheet
 - ii. OWH time-sheet
- 20. Salary Payment Method: Against approved time sheet every month or every period
- 21. Requirement of Performance Plan and Performance Report: for example every six month for regular employment
- 22. Conditions of Confidentiality:
- 23. Contract Termination and Revision Condition:
- 24. Immediate Supervisor (Personnel Administrator):
- 25. Name of the Employer:
- 26. Position of the Employer in the Project:

The contract is signed generally in two copies, one each for the employer and the employee.

Signature of the Employee

Signature of the Employer

Signature of the Supervisor (if different from the employer)

Official seal of employer organization (if necessary)

Date of Signing of the Contract:

2.2.6 Procurements

The Project Owner and Project Partners shall undertake to effect all procurements of goods and services necessary for the implementation of the Project according to the Work Plan, Schedule, and Budget. The procurements shall be undertaken considering the location of use or consumption and plan of final ownership for durables.

The procurements shall be performed in accordance with the generally accepted procurement principles, good procurement practices and the internal procurement regulations of the applicable organization, which are in accordance with the regulations of the applicable country.

The Project Owner and the Partners shall observe the highest ethical standards during the procurement and execution of contracts. No offer, gift, payment or benefit of any kind, which would or could, either directly or indirectly, be construed as an illegal or corrupt practice shall be accepted by the procuring person or organization.

The projects are entitled to submit documents related to the procurement process followed, if EnergizeNepal demands for such, on any procurement.

2.2.7 Consideration of Applicable Taxes

The Budget for the Project is regarded as inclusive of all the applicable taxes. Applicable tax to be deducted at source (TDS) under the prevalent laws of the country of activity shall be deducted from each payment and deposited the same to the concerned tax/revenue office by the Project Owner and the Partners. Any tax related concerns shall be brought into notice of the Project Consortium so that appropriate resources may be consulted. Tax exemption provisions of the country of activity for research and development purpose shall be utilized by the Project Owner or Partners on their own initiatives.

2.2.8 Intellectual Property Rights (IPR)

EnergizeNepal does not intend to own any intellectual property right related to knowledge, products, and services developed under the projects. The responsibility of managing intellectual property created during the projects lies with the Project Owner and the Partners.

Intellectual Property Rights are managed by the Project Consortium Agreement. The IPR management agreement shall follow generally accepted good partnership practice principle, that is, proportionate distribution of the IPR according to the contributions in generating it. The Project Owner and the Partners shall generally be entitled to use all experience and professional knowledge that have been acquired during the execution of the Project. The IPR management agreement shall respect EnergizeNepal objective to improve capacity of research and education required for development of renewable energy sector in Nepal and the region.

In relation to the documents submitted to EnergizeNepal by the Project, if there is an IPR related issue, it shall be indicated with attribute "Restricted".

2.2.9 Equipment and Durables

Equipment and Durables in the project **can only be purchased with a co-funding of at least 30%** from the project owner or partners.

The ownership of all the equipment and durables procured under a project with majority EnergizeNepal Funding lies with EnergizeNepal during the project period. The ownership will be transferred to the Project Owner and Partners, upon successful completion of the project. The Project Owner shall make the ownership transfer request upon successful completion of the project (after the approval of the Final Technical and the Final Financial Report). **If a project is terminated in the interim or for some reason fails to continue, then EnergizeNepal will have right to obtain the equipment and durables back.** EnergizeNepal however may also decide to transfer the ownership to the Project Owner and the Partners.

It is advised that any equipment and durables be kept in a separate project book-keeping. The equipment and durables of remaining book value shall be entered to the organizational book-keeping after the ownership is transferred.

The ownership and location of equipment and durables issues shall be addressed in the Project Consortium Agreement. Durables may be distributed based on their location of use.

The property of EnergizeNepal on Project Owner or Project Partner premises shall be taken care of by the Project Owner or Partner. The loss or damage of such properties must be reported describing the circumstances to EnergizeNepal as soon as such incident is noticed. The Project Owner or Partner is not held responsible for compensation for the loss and damage, unless the loss and damage has occurred due to the negligence of the caretaker.

2.2.10 Good Partnership Practice

The partnerships in the project shall follow good partnership practice principles. All partners must have understood their role and obligations, as described in the project contract and the Project Consortium Agreement. All partners must consult and communicate with each other regularly. Any substantial deviation from Work Plan must be agreed by the partners. The partners should agree on an equitable distribution of equipment and durable supplies purchased under

the project upon completion of the project. The partners should agree on equitable distribution of Intellectual Property Rights of the intellectual wealth generated during the project.

2.2.11 Impartiality, Transparency, and Avoidance of Corruption

The Projects shall give utmost priority to impartiality, transparency, and avoidance of corruption in the execution procedures.

In order to avoid corruption, financial procedures (procurements with and without competitive procedure) should match with organizational financial regulation and should be transparent.

In order to ensure the impartiality, employment opportunity and business opportunity should normally be open so that everyone eligible may participate and obtain the opportunity based on the merits suited to the Project requirements.

The Project procedures shall be transparent in a way that for every action sufficient documentary evidences are available to support the relevance of the action, if needed to be furnished.

Any suspected corrupt practices in relation to the Project noticed should be immediately brought into attention of the Project Owner or Project Consortium first and then to EnergizeNepal by the concerned. EnergizeNepal will observe zero tolerance to corrupt practice and if any corrupt practice is identified, the project will be terminated.

2.2.12 Confidentiality

Any document submitted to EnergizeNepal by the Project should clearly state whether the part of document or whole document is "Restricted". The documents with "Restricted" items may be accessed and discussed by the following without any restriction.

1. The EnergizeNepal PMU
2. Advisory Committee Members of EnergizeNepal
3. Dean of the School of Engineering of Kathmandu University
4. Key officials of KU, such as Vice-Chancellor, Registrar, Head of Finance Division, and Chief of Administration
5. Persons designated by The Royal Norwegian Embassy, Kathmandu
6. Persons designated as EnergizeNepal or the Project Reviewer
7. Other persons allowed by the agreement between EnergizeNepal and the Project Owner

No confidentiality agreement will generally be made with the persons mentioned above regarding the documents. Otherwise, maintenance of confidentiality of "Restricted" items will be regarded as a moral responsibility.

Any original technical matters or explicitly copyrighted materials in the documents may not be used by any of the persons having access to the documents, without proper authorization from the Project Owner and Partners related.

The agreement on confidentiality between the Project Owner and the Partners shall be as specified in the Project Consortium Agreement.

Employments in the Project or assignment of work related to the Project shall accompany confidentiality agreement statement.

2.2.13 Essentials in the Project Consortium Agreement

The followings are regarded as essentials in the Project Consortium Agreement in general:

1. Details of agreement signing parties, signing persons, administrators, and activity leaders
2. Short description of the Project in relation to which the agreement is being signed such as project title, project ID, project contract signing date, project contract signing parties, project period, total budget, contributions, total funding, etc., as deemed necessary
3. Agreement validity period and date of entry into force
4. The members of decision making body of consortium and its meeting schedule

5. Agreement to implement the Project according to work plan schedule and budget, with the roles and responsibilities as defined
6. Agreement on communications strategy between the partners and between the Consortium and EnergizeNepal
7. Agreement on Internal Evaluation of the Project
8. Agreement on contributions in Cash or Kind
9. Agreement on distribution of equipment and durables after the end of project period
10. Agreement on distribution of intellectual property and property rights for the intellectual property generated in the Project
11. Agreement on confidentiality and transparency
12. Agreement on the Project result dissemination, such as through publications in media for wider effectiveness of the project
13. Agreement on access to and use of mutual facilities and resources
14. Conditions of withdrawal from the consortium
15. Conditions for addition of Partner to the consortium
16. Conditions for termination of the Project Consortium Agreement
17. Agreement on settlement of disputes among the Partners

The agreement is signed in the number of copies required by the number of partners. The opinion of EnergizeNepal on the agreement shall be taken before signing the agreement. A copy of signed agreement shall be submitted to EnergizeNepal for final approval.

Note: Contact PMU for the Project Consortium Agreement Reference.

2.3 Communications, Reporting, Monitoring, and Evaluation

2.3.1 Communications between the Project and EnergizeNepal

The projects under EnergizeNepal are required to have frequent communications with PMU of EnergizeNepal. The PMU shall immediately respond to the communications from the Project that requires the response and shall give an indication of time by which the matter related will be addressed. Similarly, the Project shall act to the communications from the PMU. Any problems with the project should be immediately reported to PMU in order to find the timely measures. The Primary means of communication should be e-mail. Scanned documents and other documents may be sent by e-mail. For immediate response need, telephone may be used. Postal services, courier services, and in-person visits may be used as needed. Use of such method shall be informed in advance. All communications shall normally be between the Project Leader and/or the Project Administrator and the PMU.

Communication between the Project Owner and Partners shall be frequent and shall be according to the communication methods specified in the Project Consortium Agreement.

Projects are encouraged to communicate with each other, to share experience of running the projects.

2.3.2 Visibility of the Project

EnergizeNepal encourages projects to make the Project and EnergizeNepal visible (in general or specialized media, local seminars/conferences, in technical communities, on internet, etc.). In the visibility action, **the Project must indicate support from EnergizeNepal**. Annual Project Meeting will be organized by EnergizeNepal. The Projects are required to participate in the meeting, presenting the project and progress, discussing problems, discussing ways to overcome problems, etc.

2.3.3 Reports from the Project and Approval

All the reports from the projects required by EnergizeNepal must be submitted timely. The reports are submitted by the Project Administrator or the Project Leader in proper

communications with the Partners and contributions from the Partners. The following reports are required.

1. Mid-Year Progress Report (in short, generally without documentary evidences) within TWO WEEKS¹ of the end of six month from the Date of Start of Project Activity for the Project Year; responded by PMU in TWO WEEKS.
2. Annual report within TWO MONTHS² from the Date of End of the Project Activity for the Project Year; responded by the PMU in ONE MONTH.
3. Final Project Report within TWO MONTHS from the Date of End of the Project Activity; responded by the PMU in ONE MONTH.

EnergizeNepal will give due priority to observing of timely and complete report submission criterion as well as achievement of agreed milestones/targets/purpose by the projects for any further support to projects such as work-plan updates, budget updates, reinforcements and extensions.

The Project is closed in approximately TWO MONTHS from the date of submission of the Final Report with one final financial transaction between EnergizeNepal and the Project, and the transfer of ownership of equipment and other durables procured from the majority EnergizeNepal Funding to the Project Owner or Partners.

The PMU will provide in advance the formats for budgeting, keeping and reporting expenditure details, format for the progress reporting and format for time-sheets.

The approval of report and expenditures is done by PMU. The Project Manager generally approves the annual report and the expenditures and provides project with comments and approval. The expenditure approval however will be subjected to the approval of the same by the Dean of School of Engineering of Kathmandu University and the Finance Division of Kathmandu University. Any dispute related to the difference in expenditure claim and expenditure approved shall be brought into notice with strong evidence and logical justification within ONE MONTH of date of approval. The following are the general procedure of approval of expenditure

1. The PMU examines the documentary evidences (invoice originals/certified-copies and supporting documents if any) submitted regarding the expenditure at the invoice/transaction level to a detail level that is practical.
2. The PMU takes input from the audited financial statement to confirm adequacy and consistency of financial statement with submitted documentary evidences. The PMU takes consideration of auditor's opinion and comments.
3. The PMU may examine auto-generated bank and/or account statement confirm adequacy and consistency of financial statement to the paid and/or booked expenses.
4. The PMU regards any Tax Deducted at Source (TDS) that is payable as booked expense and regards it as already incurred expense. TDS deducted shall be paid to Internal Revenue Department or Tax Office by the respective organization. Similar consideration is made for VAT invoiced by the partner organizations.
5. The PMU examines budget versus expenditure and may re-allocate the invoices according to the nature of costs to corresponding budget sub headings, noting the item level or activity reflecting headings. This may result in a slight different allocation of cost by EnergizeNepal compared to the allocation of cost by the Project. The budget versus expenditure is also examined for compliance to the limits and for justification on over or under use of the budget at user, item, sub-heading and heading level.
6. The above makes the basis for the decision of initial approval at the invoice/transaction level.
7. The project may be contacted for clarification and agreement on expenditure approval if required.
8. The final approval is then made.
9. EnergizeNepal will not bear any financial loss to project resulting from final disapproval resulted due to inadequacy of evidences, justification, error, inconsistency and significant overspending compared to approved budget in item level or sub-heading level or heading level without adequate justification.

¹1 week = 6 work days

²1 month = 4 weeks = 24 work days

The following are the general procedure of approval of update in work-plan, schedule and budget by EnergizeNepal.

1. The PMU examines updated work-plan, schedule, and budget detail submitted along with justification.
2. The PMU compares the work-plan, schedule, and budget update proposed with most recent approved work-plan, schedule, and budget and progress in regard to them.
3. The PMU checks whether the intended to be approved overall work-plan, schedule and budget remains within the framework and funding award decisions of the Project Selection Committee.
4. The work plan and budget adjustments are discussed with the Project if needed.
5. Approval is made on the basis of above.
6. The approved or agreed updated work-plan, schedule, and budget are then taken as an update to the contract. The updated budget will be reflected by annual budget details and overall budget summary.

Following articles define the general contents of various reports.

2.3.3.1 Mid-Year Progress Report (Interim Report)

The content of Mid-Year Progress Report shall be as follows, as applicable to the period.

1. Plan versus implementation summary with comment on project efficiency
2. Summary of project inputs and outputs with a description of actual inputs/outputs compared to planned inputs/outputs (as defined in the work plans) with assessment of efficiency of projects (how efficiently resources/inputs are converted into outputs)
3. Summary of major deviations and adjustments with explanation/ justification
4. Summary of problems encountered, risks that affected the project, and mitigation measures
5. Achievements in relation to purpose of the project
6. Budget versus expenditure summary and forecast of expenditure for 2nd half of the project year
7. Updated work-plan, schedule and budget with adjustments needed incorporated for the entire remaining project period with detail budget adjusted on an annual basis for approval with a list of major deviations in item level in input planned from previous update with explanation/justification

2.3.3.2 Annual Report

The contents of Annual Report are as follows.

1. Annual Project Report

- a. Plan versus implementation summary with comment on project efficiency
- b. Summary of project inputs and outputs with a description of actual inputs/outputs compared to planned inputs/outputs (as defined in the work plans) with assessment of efficiency of projects (how efficiently resources/inputs are converted into outputs)
- c. Summary of major deviations and adjustments with explanation/ justification
- d. Summary of problems encountered, risks that affected the project, and mitigation measures
- e. Achievements in relation to purpose of the project and the purpose of EnergizeNepal
- f. Budget versus expenditure summary for the period which shall be consistent with the expenditure evidences, detail list of expenditures, cash account statement, and the audit report; if the evidences, list of expenditure, cash account statement and the audit reports are not consistent with each other, justification or explanation shall be provided.
- g. Assessment of budget versus expenditure with comment on efficiency and a list of major deviations in units, rates, quantities, and/or total in item level budget versus expenditure for all major input items.
- h. Financial, Accounting, and Administrative Procedure Summary

- i. Updated work-plan, schedule and budget with adjustments needed incorporated for the entire remaining project period with detail budget adjusted on an annual basis for approval with a list of major deviations in item level in input planned from previous update with explanation/justification.
- j. Assessment of the Project efficiency

2. Attachments to the Annual Report

- a. Annual technical report containing technical details of the project activities and the outcomes in a form deemed suitable by the project
- b. Detail list of expenditure in individual invoice level with invoice allocated to budget heading and subheading level with indication of booked, paid, and payable status; electronic copy of list must also be submitted
- c. Documentary evidences of expenditures originals or authentic copies arranged according to the detail list of expenditure
- d. Audit report of the year with audited financial statement prepared either on accrual basis or cash accounting basis as per organizational practice
- e. Auto generated cash/bank account statement
- f. Detail project budget for the remaining project period, electronic copy
- g. Ownership transfer request for durables if the project is closing
- h. Project output indicating attachments (public type of documents including photographs, videos, etc. are mandatory; confidential type of documents optional)

2.3.3.3 Final Report

Report of the final year will be regarded as final report from the project.

2.3.3.4 Project Account Audit Report

The Project Account shall be audited annually, preferably by an independent auditor. The account audit report shall be submitted along with the annual report. The audit report normally states the auditor's opinion/findings as to

1. Whether the financial statements are present fairly, in all material respects, the Project's cash receipt income and expenditures as well as the cash/bank/financial position in accordance with an acceptable financial reporting framework
2. Whether the audit has uncovered any material weaknesses in relevant internal controls
3. Whether the audit has uncovered any illegal or corrupt practices
4. Whether cash receipts/income and expenditures are properly accounted for
5. Whether the Project is reflected in the budgets and accounting of the organization
6. Whether appropriate internal controls to counteract illegal and corrupt practices have been established and complied with
7. Whether the accounting is in line with the requirements set by EnergizeNepal
8. Any other report from the auditor significant to the implementation of the Project

2.3.4 Monitoring and Evaluations of the Project

2.3.4.1 Access to Monitor and Audit

At any time during normal working hours, the PMU or its appointed representative shall have access to the premises of the Project Owner and Partners, on an advance notice, to monitor the Project Progress and to audit the Project Owner or Partner accounts/project-activities related to the Project. The Project Owner or Partner shall render the assistance necessary. Annual auditing is responsibility of the project account holder organizations.

2.3.4.2 Evaluations

Any ongoing project will be evaluated by PMU on each of the evaluation criteria with the following 10 point marking system.

Table: Evaluation Criteria of the projects

Quality	Exceptional	Very Good	Good	Fair	Poor	Worse
Marks	10	8	6	4	2	0

The ongoing projects are evaluated generally under the following criteria.

1. How effectively the original objectives are kept intact or made more effective
2. How effectively the milestones promised are achieved
3. Quality of reports and timely submission of reports
4. Plan vs. implementation of the project
5. Budget vs. expenditures
6. How effectively the guidelines from the PMU are followed
7. Overall development of the Project

The evaluation will be based on reports and monitoring by PMU, or by an Independent Evaluator designated by the PMU. Poor evaluation results (generally less than average 6.0 points) may result in withholding of remaining disbursements or termination of the contract. Before such decision is taken, the PMU will meet the Project Administrator and the Project Leader and may suggest corrective measures. The final decision will be taken in consultation with the Advisory Committee of EnergizeNepal.

All the Projects with Project Duration of more than 2 years will have a thorough review by EnergizeNepal in the middle of the Project Period.

2.4 Changes in Project Plan vs. Implementation

2.4.1 Project Administrator

Change of the Project Administrator shall be immediately reported to the PMU in writing, including appropriate justification for the change and specification of the date of commencement of duties. The change should be reported by the Person Signing the Contract or the Head of the Project Owner organization. The change of Project Administrator is not regarded as a major change in the Project by EnergizeNepal. If the PMU has not responded to the request for the change of the Project Administrator within ONE MONTH, the change is considered approved by EnergizeNepal.

2.4.2 Project Leader

Change of the Project Leader is regarded as the major change. Any foreseen or sudden change shall be reported immediately with justification and request for a new project leader or request for the termination of the Project. Requests for a new project leader must be submitted in writing by the Project Administrator with proper justification and consequences of the change and it must include CV of the new proposed leader as well as desired date of commencement of duties. The PMU has to respond within ONE MONTH in writing about the acceptance or rejection of the request. If the PMU rejects the request for the change of the Project Leader or accepts the termination request, the Project should enter into the Project Termination Procedure and the Project should be closed within THREE MONTHS officially. The PMU decision cannot be challenged in this case.

2.4.3 Partner Activity Leader

Change of the Partner Activity Leader is regarded as a minor change and could be made according to the convenience of the Partner organization, unless specified otherwise in the Project Consortium Agreement. The change should be notified to the PMU AS SOON AS the Consortium agrees to the change.

2.4.4 Project Consortium Composition

Withdrawal of an existing partner from the Consortium will be regarded as a major change, unless the withdrawing partner is of duplicate type. Primary partner types are: a research

institution in Nepal, an industry in Nepal, a research institution in abroad, an industry in abroad; all other additional partners are regarded as duplicate of one of these. The withdrawal must follow the procedures and the conditions specified in the Project Consortium Agreement. The withdrawal from partnership by a Partner organization must be reported IMMEDIATELY to the PMU in writing with proper justification, consequences, changes in the work plan, changes in the budget, and steps that will be taken to minimize the adverse effects to the Project. The PMU will respond to such reporting within ONE MONTH of the reporting. The PMU may terminate the Project on this ground or change the funding allocation to the Project. The decision of the PMU cannot be challenged.

Partners may be added into the Project Consortium with an agreement between EnergizeNepal and the existing Project Consortium to make the Project more effective and efficient. The request for addition should be made to the PMU accompanied with the updates in the Project Consortium Agreement, the roles and responsibilities of the new partner, and justification. The request should also accompany changes in the overall work plan and the budget. Addition of partner shall not be dependent on the increase in EnergizeNepal Funding to the Project. The Project Administrator or the Project Leader shall make such request at the time of submission of one of the reports (mid-year or annual). The PMU will respond to such request along with the response related to the Project Report, which shall generally be in ONE MONTH time. The change will not be effective without the response from the PMU in writing.

2.4.5 Project Consortium Agreement

The Project Consortium can update the Agreement with an aim of making the Project more effective and efficient. The updates shall be reported to PMU and the PMU will respond within ONE MONTH for such update. The updates are effective after endorsement by PMU. If the PMU does not respond within ONE MONTH, the updates are regarded as accepted.

2.4.6 Project Work Plan and Schedule

The Project Leader shall report any change or update in the Project Work Plan and Schedule at the time of reporting to PMU, which forms an integral part of the report. The updates are effective after the endorsement by PMU. The changes reported forms an integral part of the Project evaluation.

2.4.7 Budget

The Project Leader shall report any change or update in the Project Budget at the time of reporting to PMU (Annual or Mid-Year) with list of major changes accompanied by item-wise explanation/justification, which forms an integral part of the report. Changes in the budget should accompany change in the Work Plan and Schedule. The PMU will respond within ONE MONTH. The updates are effective after the endorsement by the PMU. The changes reported forms an integral part of the Project evaluation. EnergizeNepal will give due priority to observing of timely and complete report submission criterion as well as achievement of agreed milestones/targets/purpose by the projects for budget updates. The PMU will get consent of the PAC or PAC Chair for approving any deviation of fund use by any project exceeding the allocated funding or intent to use fund in excess of the total allocated funding in budget updates. The amount should however be inside the +5% limit in overall.

2.4.8 Budget vs. Expenditure

The Project Leader shall submit Budget vs. Expenditure report at the time of reporting to the PMU, which forms an integral part of the report. EnergizeNepal will consider a deviation in actual expenditure vs. budget only annually comparing with most recently updated budget. Major deviation of actual expenditures from the budget in each of the 5 main budget headings (deviation of more than $\pm 10\%$ of the amount allocated within the yearly budget in a particular heading) shall be strongly justified. For limits in the deviations between the budget and the actual

expenditure for any project period and entire project duration, refer to the limits specified in this document. The PMU will respond within ONE MONTH.

Under all normal circumstances, the project expenditure shall remain as close as possible to the allocated budget in item level in terms of unit, rate, quantity, and total expenditure in the local currency for all major inputs. Any large deviation beyond $\pm 10\%$ in item level in terms of rate, quantity, and total expenditure shall be separately justified for all major inputs. Any input that is vital in producing the promised project outputs is regarded as major input or any input that have significant budget allocated, generally beyond 1% of the annual budget, may be regarded as major input.

2.4.9 Extension of Project Duration and Scope

Any application for project period extension shall accompany proper justification for the reasons beyond control of the Project Owner and the Partners. If for some reason the budget is unspent at the end of awarded project period, then the project period may be extended upon request from the Project Owner for the duration requested, normally up to 6 months. Such decision will be based upon the approval of report for the completed period and Work Plan and updated budget for the extension period. No additional funding is provided for such extensions. EnergizeNepal however has the authority to terminate such projects and ask for the return of unspent funds.

The project scope may be extended with an agreement between EnergizeNepal and Project Consortium. Appropriate updates in the Project Work Plan and Budget may be made with approval from the PMU. The budget shall generally remain within the initially allocated funding.

2.4.10 Force Majeure

Neither EnergizeNepal, nor the Project Owner, nor the Partners are in breach of their obligations under the Project Contract and Project Consortium Agreement if the performance of the Project has been delayed or prevented by force majeure. It is considered force majeure if fulfilment of the Project Contract or Project Consortium Agreement be prevented or delayed by reason of circumstances that the parties could not have anticipated when entering into the Contract/Agreement or which could not have been avoided by reasonable means, such as illness, dismissals, natural disaster and strike. Delay in or prevention of project activities due to a Force Majeure shall be notified as soon as it has occurred with the information of the cause and the expected period of delay or suspension of activities.

2.5 Obligations of EnergizeNepal, Project Owner, and Partners

2.5.1 Obligations of EnergizeNepal

The following are the basic obligations of EnergizeNepal in relation to the Projects:

1. Immediately communicate changes in EnergizeNepal Framework of operations that may affect the projects and their executions
2. Demand reports from the Projects
3. Responds to reports by the time limit
4. Monitor and evaluate the project, and communicate evaluation results
5. Provide all the eligible and EnergizeNepal approved cost of execution of R&D Project from the Date of Start of the Project Activity to the Date of End of the Project Activity as defined by the Project Duration, in accordance to the approved Work Plan, Budget and the Expenditure Reports, not exceeding the total funding limit set in the decision made by the Project Selection Committee of EnergizeNepal
6. Communicate any decision/instruction of EnergizeNepal that influences the executions of the Project to the Project Administrator and the Project Leader

2.5.2 Obligations of the Project Owner

The following are the basic obligations of the Project Owner in relation to the Projects:

1. Execute the Project according to Work Plan, Schedule, and Budget
2. Execute the Project in a way that the Project Objectives and EnergizeNepal Objectives in funding the projects are met.
3. Communicate efficiently with the Partners and the PMU
4. Submit reports within time limit
5. Internally evaluate the project regularly
6. Observe proper procedures in the project spending
7. Keep proper project accounting
8. Ensure and enhance the quality of R&D
9. Ensure ethical, transparent and corruption free practice in the project activities
10. Encourage women participation in research and development
11. Ensure good partnership among the Partners and efficient execution of the Project Consortium Agreement
12. Make available reasonable resources and services to the project and partners in relation to the execution of the project in terms of the "Contribution in Kind" or the "Invoice to Project" mode.
13. Provide advance to the Project Account at least for the approved EnergizeNepal Funding expenditures planned to efficiently execute the Project when the project account is in short of the funds
14. Bear all the costs related to the Project for the Activities in the Project Owner Organization before the Date of Start of the Project Activity and after the Date of End of the Project Activity till the official closing of the Project between EnergizeNepal and the Project, as necessary.
15. Keep track of project expenditures and ensure that the payment in total required from the funding lies inside the funding and budgetary limits set by EnergizeNepal.
16. Execute instructions and seek assistance from PMU for Project management.

2.5.3 Obligations of the Partners

The following are the basic obligations of the Partners in relation to the Projects:

1. Execute the Project activity with partner according to Work Plan, Schedule, and Budget
2. Ensure that the project activities are directed for industrial development and commercialization of project product and/or services along with the institutional competence development for obtaining future supports
3. Communicate effectively with the Project Owner and other Partners
4. Contribute in reports
5. Make reasonable resources available to the project
6. Participate in internal evaluation
7. Ensure transparent and corruption free practice in project activities
8. Encourage women participation in research and development
9. Take part in financing the project, in cash or in kind according to means, in order to prove genuine interest in the results.
10. Make available fund in advance to project activities in which the partner is the activity leader, if necessary

2.5.4 Liabilities and insurance of damage to or loss of property, personnel and third parties

Each of the Parties (The Project Owner and the Partners) shall hold the other harmless from loss of or damage to its own and any third party property and personnel, unless the loss or damage has been caused by the other party's negligence.

The Project Owner and the Partners are liable for loss or damage suffered by third parties in connection with the execution of the Project unless the damage or loss is caused by EnergizeNepal requirements to use specific methods and routines or the damage or loss is caused by carelessness or negligence of the PMU.

The Project Owner and the Partners shall take and maintain adequate professional liability insurance as well as adequate insurance against third party liability.

EnergizeNepal undertakes no responsibility in respect of any life, health, accident, travel, and other insurance which may be necessary or desirable for the personnel in the Project.

2.5.5 Breach of Obligations

Should one of the parties realise that it cannot meet its obligations or considers the other party to be in breach of its obligations under the Project Contract and the Project Consortium said party shall immediately so inform the other party.

In the event PMU has any objections to the execution of the Project, the PMU shall so inform the Project Owner in writing and state the reasons thereof.

Should the Project Owner or the Partner be in breach of its obligations then after a reasonable term the PMU shall become entitled to withhold all payments as provided by the Contract until the Project Owner or the Partner has fulfilled its obligations.

Should EnergizeNepal be in breach of its obligations then after a reasonable term The Project Owner shall become entitled to cease Work, until the PMU has fulfilled obligations.

In the event invoices are not paid in due time or invoices in dispute become payable, then EnergizeNepal shall not be charged any interest on overdue payment.

2.6 Project Contract Termination

Poor evaluation results of any ongoing project may result in withholding of remaining disbursements or termination of the contract. Before such decision is taken, the PMU will meet the Project Administrator and the Project Leader and may suggest corrective measures. The final decision will be taken in consultation with the PAC of EnergizeNepal. If the termination decision is made, the PMU will give 3 month notice to complete termination procedure as follows.

1. Cease the project activities in ONE MONTH
2. Submit final project report within TWO MONTH after ceasing of the Project Activities.
3. Conduct final financial transaction with the PMU
4. Return equipment and durables to the PMU or obtain ownership transfer from the PMU
5. Close the project formally with a declaration by the Project Consortium and by the Project Owner and the PMU.

If a project develops unfavourably to a level that the project cannot be continued, the Project Consortium or Project Owner may ask for the termination of contract with a notice. Upon approval of such request by the PMU, the project should enter into termination procedure indicated above and will be terminated.

If EnergizeNepal itself develops unfavourably to a level that it cannot be continued, the PMU will terminate all projects with a notice. The projects will automatically enter into termination procedure indicated above and will be eventually terminated.

EnergizeNepal will not take any responsibility for any loss occurring due to Project Termination in the interim to any person or organization.

2.7 Dispute Settlement and Governing Law

2.7.1 Dispute Settlement

The Project and Project Partners will have responsibility to convey the concerned party any foreseen expected dispute in any action before the action is taken so that the action may be avoided or modified with an agreement between the concerned parties.

Disputes between EnergizeNepal and the Project that may arise in connection with the Project or a result thereof shall be settled by private negotiations between the PMU and the Project Owner. If such agreement cannot be obtained within a reasonable time period, then the dispute will be

handled by the Project Advisory Committee of EnergizeNepal at one of the scheduled time of the Meeting of the PAC. The decision of PAC will be final and cannot be challenged further.

Disputes between the Project Owner and Project Implementation Partners that may arise in connection with the Project or a result thereof shall be settled by private negotiations between the Project Owner and Project Implementation Partners, referring to the Project Consortium Agreement. EnergizeNepal will not handle the matter related to the settlement of dispute between the Project Owner and the Project Implementation Partners in relation to the Project.

Disputes arising in the Project Implementation due to mismatch between the Project Contract Terms and Conditions, EnergizeNepal Guidelines/Framework, Project Activity Execution Organization's Rules and Regulations, and Laws of the Country of Activity shall be immediately brought into notice of the Project Administrator, Project Leader, Activity Leaders, and PMU. Such disputes shall be settled by consulting the Administrators of the related organizations and/or professional lawyers/auditors as necessary.

Legal settlement of the disputes shall be on a legal venue as defined by EnergizeNepal as appropriate for the settlement of a particular dispute.

2.7.2 Governing Law

The Project Contract and procedures shall be governed by and construed in accordance with the laws of Nepal.

2.8 Amendment to This Terms and Condition and Project Contract

This terms and conditions may be amended at any time by EnergizeNepal. The PMU shall send the amended version to the concerned as soon as it is amended. The most recent version of this terms and conditions prevail at all times. In general, amendment to the contract may be made every six months.

Any influence on the activities of any ongoing project due to amendment in this document or other documents related to Project execution shall generally be effective from ONE MONTH after the date of amendment.

[End of General Terms and Conditions]