AHIF GRANT NUMBER TF012273

European Commission Avian and Human Influenza Trust Fund
Grant Agreement
(Zoonoses Control Project)

between

NEPAL

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the European Commission Avian and Human Influenza Trust Fund

Dated July 5, 2012
AGREEMENT dated 31st January 2012, entered into between:

NEPAL ("Recipient"); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION (collectively the "World Bank"), acting as administrator of the European Commission Avian and Human Influenza Trust Fund.

The Recipient and the World Bank hereby agree as follows:

**Article I**

**Standard Conditions; Definitions**

1.01. The Standard Conditions for Grants Made by the World Bank out of Various Funds, dated February 15, 2012 ("Standard Conditions"), 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 Standard Conditions or in the Annex to this Agreement.

**Article II**

**The Project**

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the Department of Livestock Services of the Ministry of Agriculture and Cooperatives, in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to ten million United States Dollars ($10,000,000) ("Grant") to assist in financing the Project.

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

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the European Community, represented by the Commission of the European Communities ("Donor") under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Secretary, Ministry of Finance.

4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu, Nepal

Facsimile:

(977-1) 4211-164

4.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
INDEVAS 248423 (MCI) or
Washington, D.C. 64145 (MCI)

Facsimile: 1-202-477-6391

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

NEPAL

By

Authorized Representative

Name: L Subimane
Title: Joint Secretary

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT AND
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the European Commission Avian and Human Influenza Trust Fund

By

Authorized Representative

Name: Tahseen Sayed
Title: Country Manager for Nepal
SCHEDULE 1
Project Description

The objective of the Project is to enhance the Recipient's capacity for the prevention and control of infectious diseases that transmit between animals and humans (zoonoses) under the One Health approach.

The Project consists of the following parts:

Part A. Animal Health

1. Provision of technical assistance to DLS, including training: (a) to build on and enhance its capacity to control avian influenza, and move toward a wider set of zoonotic diseases through planning, including policy reform, surveillance, diagnosis, control, and prevention; and (b) to strengthen its capacity to respond to changing disease dynamics, and prioritize diseases by improving surveillance and diagnosis systems, including surveillance at village-level, all through the development of a One Health strategy and action plan.

2. Carrying out studies and assessments: (a) to determine data needs and priorities; (b) to guide implementation of disease prevention and control; and (c) to enhance advocacy. The studies and assessments include identification of key infectious diseases in selected regions and high risk districts for climate sensitive diseases and their impact on human and animal health.

3. Upgrading key DLS facilities, such as quarantine check posts, veterinary epidemiology center, central veterinary laboratory, and district livestock service centers.

4. Expanding the animal health information systems in terms of network and disease coverage.

5. Provision of training to livestock service officers, para-vets, farmers, security personnel, and other key stakeholder on disease awareness, inspection/detection, prevention, and bio-security.

6. Enhancing DLS' technical capacity: (a) to carry out zoonotic disease inspection, surveillance and quarantine, and to prepare for and prevent priority zoonotic diseases, all through the review of veterinary legislations; and (b) in the preparation and implementation of regulatory framework on food safety, in collaboration with DOHS.

Part B. Climate Sensitive Disease Risk Mitigation

Carrying out of activities aimed at introducing climate change mitigation in the One Health approach by improving climate impact assessments on diseases and
identifying concrete interventions to mitigate climate risk, including (i) building livestock climate resilience by benchmarking priority climate sensitive diseases and their impact on production; (ii) collecting information on climate vulnerability; and (iii) designing and implementing early warning mechanisms to mitigate livestock diseases risk induced by climate change.

Part C. Human Health

Provision of technical assistance, including training: (i) for DOHS staff to strengthen its capacity in surveillance, diagnostics, and case management of priority zoonotic diseases, including in linking animal health information systems with the early warning alert and response surveillance and laboratory information management system; and (ii) for public health workers and other key stakeholders on zoonotic disease prevention and control.

Part D. Raising Awareness

Provision of technical assistance, including training for staff of DOLS and DOHS (i) in undertaking communication activities, such as raising awareness on preventive practices, risk communication, knowledge, attitude and practice (KAP) surveys, and institutional capacity building; and (ii) to revise the avian influenza communication strategy to encompass priority zoonotic diseases and to implement an awareness raising campaign, including measuring the outcome by KAP surveys.

Part E. Project Management

1. Strengthening the institutional capacity of DOLS to implement the Project, including financial management, procurement, monitoring and evaluation of Project activities and compliance with applicable environmental management frameworks, and overall coordination and management of the Project.

2. Strengthening the institutional capacity of DOHS in order to provide technical advisory services for the purpose of assisting DOLS in carrying out Part C of the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Operations Manual; Steering Committee; Technical Committee; Project Planning and Monitoring Unit

1. The Recipient, through DOLS, shall be responsible for the overall implementation and coordination of the Project.

2. The Recipient, through DOLS, shall ensure that Part C (Human Health) component of the Project is carried out with the technical advisory assistance of DOHS. The Recipient, through DOLS, shall be responsible for all the financial management and procurement responsibilities under the Project, including Part C, all in accordance with Section II.B and Section III of this Schedule 2, respectively.

3. The Recipient, through DOLS, shall: (a) implement the Project in accordance with the provisions of the Operations Manual; and (b) not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, said Manual, or any provision thereof so as to affect materially and adversely, in the opinion of the World Bank, implementation of the Project.

4. The Recipient, through DOLS, shall establish no later than one (1) month after the date of countersignature of this Agreement by the Recipient, a Steering Committee, and thereafter maintain throughout the implementation of the Project such a committee comprising the Secretary of MOAC as chair, and other representatives at ministerial levels, responsible for overall coordination functions and with an institutional framework, other functions, and resources satisfactory to the Recipient and the World Bank, as shall be required for implementation of the Project.

5. The Recipient, through DOLS, shall establish no later than one (1) months after the date of countersignature of this Agreement by the Recipient, a Technical Committee and thereafter maintain throughout the implementation of the Project such a committee comprising the Director General of DOLS as chair, and representatives from DOHS, responsible for coordination among DOLS and DOHS with an institutional framework, other functions, and resources satisfactory to the Recipient and the World Bank as shall be required for implementation of the Project.

6. The Recipient, through DOLS, shall establish, and thereafter maintain throughout the implementation of the Project, the Planning and Monitoring Unit. The
Planning and Monitoring Unit shall directly report to the Technical Committee on the implementation progress and facilitate Project planning and monitoring.

7. The Recipient shall: (a) ensure that DOLS maintains throughout the Project period the following key staff for the management and implementation of the Project, including audit officer, finance officer, monitoring and evaluation officer, procurement consultant, lead financial audit counterpart, and lead performance audit counterpart; and (b) ensure that these key staff, assuming satisfactory performance, are not transferred internally during the Project period (and in the case of the finance officer, until six (6) months following the Closing Date or until submission of the final audited Financial Statements, whichever occurs later), except with prior notice to and consultation with the World Bank and as required by the applicable laws of the Recipient.

B. Safeguards

1. The Recipient, through DOLS, shall:

(a) carry out the Project in accordance with the Environmental Assessment and the Environmental Management Plan prepared for managing and mitigating the environmental risks related to any civil works, including that all civil works to be financed through the Project have been designed and appraised, with due regard for public health, safety, social and environmental standards acceptable to the World Bank, and pursuant to said assessment and plan, respectively.

(b) in the event of any inconsistency between the provisions of this Agreement and those of the Environmental Assessment and the Environmental Management Plan, the provisions of this Agreement shall prevail.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).

D. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.
2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donor to visit any part of the Recipient's territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Project Report shall cover the period of a Fiscal Year trimester (four months), and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

| (i) | Priority zoonoses identified and prevention and control plan developed for animals and humans |
| (ii) | Mechanisms developed to share information on priority zoonoses (mitigation and outbreak) among DOLS and DOHS |
| (iii) | Number of livestock inspected at model service centers and quarantine office |
| (iv) | Number of farmers in poverty alleviation fund groups trained on bio-security |
| (v) | Number of incidence of priority zoonotic diseases in animals |
| (vi) | Project implementation monitored and coordinated among DLS and DOHS |
| (vii) | Priority climate sensitive diseases identified, and action plans Developed |
| (viii) | Percent of surveillance sites that regularly report to Epidemiology and Disease Control Division (EDCD)/DOHS (immediate, weekly, or monthly) |
| (ix) | Increased awareness of prevention and control of priority zoonotic diseases among human health workers and general public |

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.
B. Financial Management; Financial Reports; Audits

1. The Recipient, through DOLS, shall ensure that a financial management system is maintained for the Project in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient, through DOLS, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each Fiscal Year trimester, covering the trimester, in form and substance satisfactory to the World Bank.

3. The Recipient, through DOLS, shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works and non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods, works and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank 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) Shopping; (b) Direct Contracting; and (c) National Competitive Bidding in accordance with the provisions of the Public Procurement Act (and regulations made thereunder), subject to the following additional provisions:

(i) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(ii) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;

(iii) bids shall be opened in public in one place, immediately after the deadline for submission of bids;

(iv) 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;

(v) 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;

(vi) rebidding shall not be carried out without the prior concurrence of the Association;

(vii) 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

(viii) there shall not be any restrictions on the means of delivery of the bids.
C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments 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) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (g) Selection of Individual Consultants; and (h) Sole-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank 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 category of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods</td>
<td>4,237,610</td>
<td>100%</td>
</tr>
<tr>
<td>2. Works</td>
<td>769,250</td>
<td>100%</td>
</tr>
<tr>
<td>3. Consultants' services</td>
<td>2,092,880</td>
<td>100%</td>
</tr>
<tr>
<td>4. Training</td>
<td>2,103,260</td>
<td>100%</td>
</tr>
<tr>
<td>5. Operating Costs</td>
<td>797,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>10,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Note: The Grant will not finance local taxes, duties and anti-viral drugs.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of paragraph A of this Section IV, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed two million United States Dollars (US$2,000,000) equivalent may be made for payments made prior to this date but on or after May 1, 2012 for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2014.
APPENDIX
Definitions

1. "Department of Health Services" or "DOHS" means the health services department under the Ministry of Health and Population or any successor thereto.

2. "Department of Livestock Services" or "DOLS" means the livestock services department under the Ministry of Agriculture and Cooperative or any successor thereto.

3. "Environmental Impact Assessment" means the assessment dated February 27, 2012, and agreed with the World Bank, of the environmental impacts of activities to be implemented under the Project and including Environmental Management Plan or EMP (as hereinafter defined), as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such assessment.

4. "Environmental Management Plan" or "EMP" means, the Environmental Management Plan dated June 26, 2006, described in the Development Financing Agreement for the Avian Influenza Control Project between the Recipient and the World Bank dated March 9, 2007 (Grant No. H268 –NEP), and updated and publicly disclosed on February 27, 2012, which shall be used for the implementation of Part A of the Project, setting out, inter alia, environmental mitigation, management, monitoring and evaluation measures, as the same may be amended from time to time with the written agreement of the World Bank.

5. "Ministry of Agriculture and Cooperative" or "MOAC" means the Recipient’s Ministry of Agriculture and Cooperative or any successor thereto.


7. "One Health" refers to a worldwide strategy for expanding interdisciplinary collaborations and communications in all aspects of health care for humans, animals and the environment or an initiative that unites human and veterinary medicine.

8. "Operating Cost" means the reasonable cost of incremental expenditures under the Project, incurred by the Recipient for purposes of Project management, implementation, and monitoring and evaluation, on account of office equipment, utilities and supplies, bank charges, communications, including internet access, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, public awareness-related publicity and media expenses, domestic travel and subsistence, and salaries of contractual and temporary staff, but excluding salaries and salary supplements of the Recipient’s civil service.
9. "Operations Manual" means the Operations Manual for the Project dated April 2012 and approved by the Recipient and the World Bank, setting out, *inter alia*, details of all procedures, guidelines, timetables and criteria required for the carrying out of the Project, including the procurement, financial, administrative, operational, and monitoring, evaluation and reporting arrangements, as the same may be amended from time to time with the agreement of the World Bank.

10. "Planning and Monitoring Unit" means the unit that will be established within DLS to provide technical support and facilitate overall Project implementation.


12. "Steering Committee" means the committee to be established by the Recipient in accordance with Section I.A.4 of Schedule 2 to this Agreement.

13. "Technical Committee" means the committee to be established by the Recipient in accordance with Section I.A.5 of Schedule 2 to this Agreement.

14. "Training" means the cost of training financed under the Project, attributable to seminars, workshops, and study tours, along with the cost of domestic and international travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.