Mr. Lok Darshan Regmi  
Secretary  
Ministry of finance  
Government of Nepal  
Singha Durbar  
Kathmandu, Nepal

Dear Mr. Regmi:

Re: Nepal: Advance Agreement for Preparation of Proposed Nepal Livestock Sector Innovation Project  
Project Preparation Advance No. V029-NP

In response to the request for financial assistance made on behalf of Nepal ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed four hundred ninety-seven thousand nine hundred seventy-five United States Dollars ($497,975) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to increase the productivity, enhance value addition and improve climate resilience of smallholder farms and agro-enterprises in selected livestock value-chain in Nepal ("Project"), in support of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Yakuya Kamata  
Country Manager

Nepal Country Office. Yak & Yeti Hotel Complex, Durbar Marg, Kathmandu, Nepal  
P.O. Box 798  Phone. +977 1 4236000; 4226972; 4439371  Fax. +977 1 4225112
AGREED:
NEPAL

By [Signature]
Authorized Representative

Name [Signature]
Title Joint Secretary
Date 18 September 2016

Enclosures:


(2) Disbursement Letter for the Advance of the same date as this Agreement, together with "World Bank Disbursement Guidelines for Projects", dated May 1, 2006.

(3) "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.


Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) "Displaced Persons" means persons, who, on account of execution of the Project, have experienced or would experience direct economic and social impacts caused by (i) involuntary taking of land, resulting in: (a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihood of the affected person.

(b) "DOLS" means the Department of Livestock Services, or any successor thereto.

(c) "Environmental and Social Management Framework" means the framework to be adopted and disclosed by the Recipient in a form and substance satisfactory to the World Bank, which sets forth the guiding principles, standards and procedures for screening, managing and monitoring environmental and social impacts under the Project, including those related to natural habitats, chance cultural finds, and forestry, land acquisition, Displaced Persons, and Indigenous Peoples; as such framework may be revised, updated or supplemented from time to time with the prior written concurrence of the World Bank, and such term includes any annexes or schedules to such framework.

(d) "Incremental Operating Cost" means reasonable expenditure incurred by the Recipient on account of implementation and management of the Activities (which expenditures would not have been incurred absent of the Activities), including the Recipient’s staff travel costs, allowances, costs of vehicle rental, fuel and maintenance, bank charges, communication costs, office supplies and equipment, office rental fees, utilities, and consumables required for holding meetings related to the Activities, but excluding salaries of civil servants of the Recipients.

(e) "Indigenous Peoples" means any distinct, vulnerable, social and cultural group within the territory of the Recipient, that (i) self-identifies as such and claims, and is recognized by others as, having a distinguishable cultural identity; (ii) has collectively attachment to geographically distinct habitats or ancestral territories in the Project area, and to the natural resources in these habitat and territories; (iii) has customary cultural, economic, social and political institutions that are separate from those of the dominant society and culture; (iv) has an indigenous language, often different from the official language of the Recipient; and/or (v) as defined under the National Foundation for Upliftment of Indigenous Peoples/Nationalities Act, 2058 (2001).
(f) "Indigenous People Development Plan" means the plan to be adopted and disclosed by the Recipient in a form and substance satisfactory to the World Bank, which describes a program of actions, measures and policies designed to maximize the benefits accruing to Indigenous People under the Project, as such plan may be revised, updated or supplemented from time to time with the prior written concurrence of the World Bank, and such term includes any annexes or schedules to such plan.

(g) "Integrated Pest Management Plan" means the plan, to be prepared and adopted by the Recipient in a form and substance satisfactory to the World Bank, which sets out measures to develop and implement integrated pest management and safe handling of pesticides in the course of Project implementation, as such plan may be revised, updated or supplemented from time to time with the prior written concurrence of the World Bank, and such term includes any annexes or schedules to such plan.

(h) "Project Operations Manual" means the manual to be prepared and adopted by the Recipient in a form and substance satisfactory to the World Bank, which sets forth the procedures governing the operation of the Project, as such manual may be revised, updated or supplemented from time to time with the prior written concurrence of the World Bank, and such term includes any annexes or schedules to such manual.

(i) "Resettlement Action Plan" means the plan to be prepared and adopted by the Recipient in a form and substance satisfactory to the World Bank, which describes a program of actions, measures and policies for compensation of persons affected by land acquisition, including budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each site, as such plan may be revised, updated or supplemented from time to time with the prior written concurrence of the World Bank, and such term includes any annexes or schedules to such manual.

(j) "Training and Workshops" means reasonable costs incurred by the Recipient for the Activities related training, including purchase, translation and publication of materials, rental of facilities, course fees, workshop supplies, rental of equipment, accommodation and subsistence of training participants.

(k) "World Bank Safeguard Policies" means the World Bank's operational policies and procedures set forth in the World Bank's Operational Manual under OP/BPs 4.01, 4.04, 4.36, 4.09, 4.10, 4.11, 4.12, 4.37, and 7.50 as said manual is published under www.worldbank.org/opmanual.

Article II
Execution of the Activities

2.01. Description of the Activities. The Activities for which the Advance is provided consist of the following parts:

(ii) Carrying out studies on implementation challenges and prospects of livestock insurance, dairy marketing and trade strategy, economic feasibility of Chyangra wool (pashmina) production.

(iii) Baseline data and characterization of Project district.

(iv) Preparation of the Project Operations Manual, including, inter alia, the following Project documents: financial manual, 18-month procurement plan, monitoring and evaluation framework, value chain financing and competitive research guidelines, ICT action plan.

(v) Greenhouse gas emission (methodology and baseline measurement and plan of action), and climate and disaster risk screening.

(vi) Awareness and preparation workshops.

(vii) Establishment of a Project implementation unit.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through the DOLS in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall establish, and thereafter maintain throughout the carrying out of the Activities, an implementation unit within DOLS with adequate resources and composed of staff in a number and with terms of reference and qualifications and experience satisfactory to the World Bank.

(b) The Recipient shall ensure that the terms of reference for any consultants’ services in respect of any activity financed under the Advance shall be satisfactory to the World Bank following its review thereof, and, to that end, such terms of reference shall duly incorporate all the applicable World Bank Safeguard Policies, as applied to the advice conveyed through such technical assistance.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each trimester, covering the trimester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one (1) or part of the fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **Procurement**

(a) General. All goods and consultants’ services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(ii) 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 (revised July 2014) ("Consultant Guidelines") in the case of consultants’ services; and

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

(b) Definitions. The capitalized terms used in the following paragraphs of 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.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding, subject to additional provisions in sub-paragraph (iii) below; (B) Shopping; and (C) Direct Contracting.

(iii) National Competitive Bidding: The following additional procedures shall apply to goods and non-consulting services procured on the basis of National Competitive Bidding:

(A) Only the model bidding documents for National Competitive Bidding (NCB) agreed with the Association (as amended from time to time), including qualification criteria shall be used;
(B) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
(C) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
(D) Bids shall be opened in public in one place, immediately after the deadline for submission of bids;
(E) 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;
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;

Rebidding for contracts subject to prior review shall not be carried out without the prior concurrence of the Association;

Extension of bid validity for contract subject to prior review 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

There shall not be any restrictions on the means of delivery of the bids.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants’ Qualifications; (B) Single-source Selection of consulting firms; (C) Selection of Individual Consultants; and (D) Single-source procedures for the Selection of Individual Consultants.

(e) **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.

**Article III**

**Withdrawal of the Advance**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance 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 following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants' services, Training and Workshops, and Incremental Operating Costs</td>
<td>497,975</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>497,975</td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is June 30, 2017.

**Article IV**

**Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

   (a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

   (b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

      (i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
(ii) if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the “Aggregate Balance”) shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V
Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is the Secretary, Ministry of Finance.

5.02. Recipient’s Address. The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu, Nepal

Facsimile:
(977-1) 4211-164

5.03. World Bank’s Address. The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex: Facsimile:
248423 (MCI) or 1-202-477-6391
64145 (MCI)