Financing Agreement

(Sunaula Hazar Din – Community Action For Nutrition Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 13, 2012
FINANCING AGREEMENT

AGREEMENT dated July 13, 2012, entered into between NEPAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project"): (a) an amount equivalent to eleven million seven hundred thousand Special Drawing Rights (SDR 11,700,000) ("Grant"); and (b) an amount equivalent to fourteen million two hundred thousand Special Drawing Rights (SDR 14,200,000) ("Credit").

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

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

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are June 15 and December 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through MOFALD in accordance with the provisions of Article IV of the General Conditions.

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

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

4.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. The Recipient’s Address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile:

(977-1) 4259-891

5.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.

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

NEPAL

By: Authorized Representative
Name: L.S. Chhime
Title: Joint Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Authorized Representative
Name: Bigyan Bhandari
Title: Acting Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to improve attitudes and practices known to improve nutritional outcomes of women of reproductive age and children under the age of two.

The Project consists of the following parts:

Part 1: Rapid Results for Nutrition Initiatives at the Community Level

Supporting the RRNI process at the community level, including, *inter alia*: (i) supporting ward citizen forums and RRNI Teams in carrying out the RRNI process at the community level through provision of operating support; (ii) providing Sub-grants to Sub-grant Beneficiaries to support Sub-projects at the village level; (iii) supporting a mid-term and an end-term assessment of the RRNI process at the community level; and (iv) disseminating Project results and lessons to other communities.

Part 2: Project Management, Capacity Building, Monitoring and Evaluation

Providing technical support for the implementation of Part 1 of the Project, including, *inter alia*: (i) strengthening the capacity of the Project Management Team, Nutrition and Food Security Steering Committees (NFSSCs) at district and village levels, as well as other relevant stakeholders involved in the implementation of Part 1 of the Project, through the provision of training, operating support, and other necessary inputs; and (ii) supporting the monitoring, evaluation and coordination activities under the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest NPC with the responsibility for providing policy guidance and coordination for the Project.

2. The Recipient shall:

   (a) establish by not later than thirty (30) days after the Effective Date of this Agreement and thereafter maintain throughout the Project implementation, a Project Management Team with an adequate number of key professionals with skills, qualifications, experience and terms of reference satisfactory to the Association, including without limitation: (i) a Project Director; (ii) a Project coordinator; (iii) a financial management officer; (iv) a monitoring and evaluation officer; (v) a social mobilization officer; and (vi) a procurement officer;

   (b) establish by not later than thirty (30) days after the Effective Date of this Agreement and thereafter maintain throughout the Project implementation a Project Coordination Committee with functions and composition satisfactory to the Association, to be headed by a Project director, consisting of the Project Management Team and representatives from the Recipient’s relevant ministries, to address Project specific issues related to policy dialogue and intersectoral coordination; and

   (c) ensure that a district or a village will not be eligible to participate in the Project until a RRNI approval mechanism has been established in said district or village, with functions and composition satisfactory to the Association, to be responsible for reviewing and approving work plans submitted by RRNI Teams participating in the Project, and facilitating the implementation of Sub-projects and Sub-grants allocations at the ward level.

B. Implementation Documents

1. The Recipient shall, based on the Guidelines for the Sub-grants, prepare and adopt, not later than thirty (30) days after the Effective Date of this Agreement, an Operations Manual, including, *inter alia*: the description of the responsibilities of Project staff at all levels; monitoring and evaluation, and reporting procedures; the procurement procedures and standard procurement documents to be followed
under the Project; financial management, disbursement and auditing requirements, selection criteria for Sub-grant Beneficiaries and Sub-projects, and operating procedures.

2. The Recipient shall adopt Guidelines for Sub-grants, including, *inter alia*: the description of the operating procedures for implementation of pilot Sub-projects, the selection criteria for Sub-grants and Sub-projects, and procurement and financial management procedures to be followed in implementation of Sub-projects.

3. The Recipient shall carry out the Project in accordance with the Operations Manual and the Guidelines for Sub-grants. In the event that any provision of the Operations Manual and the Guidelines for Sub-grants shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

C. Implementation Arrangements

The Recipient, through MOFALD and in coordination with NPC and its Ministry of Finance, shall by March 15 of each year, starting March 15, 2013, prepare its annual work program and budget for the next calendar year and submit to the Association for review and comments and thereafter implement such annual work program and budget taking into account the Association's comments thereon.

D. Environmental and Social Safeguards

The Recipient shall ensure that: (i) the Project (including Sub-projects) is implemented in accordance with the provisions of the Environmental and Social Risk Screening and Management Guidelines; and (ii) no action is taken which would prevent or interfere with such implementation.

E. Anti-Corruption and the Governance and Peace Framework

The Recipient shall: (i) ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Governance and Peace Framework; and (ii) adopt the Governance and Peace Framework not later than thirty (30) days after the Effective Date of this Agreement.

F. Sub-projects

1. The Recipient shall through a District Development Committee provide a Sub-grant to a Sub-grant Beneficiary: (i) in accordance with the Guidelines for the Sub-grants and the Operations Manual; and (ii) pursuant to the provisions of the agreement to be entered into between the District Development Committee and
such Sub-grant Beneficiary which shall contain terms and conditions satisfactory to the Association, which shall include the provisions set forth in Schedule 4 to this Agreement.

2. The Recipient shall exercise its rights in relation to each such Sub-grant provided to a Sub-grant Beneficiary under a Sub-grant Agreement in such manner as to:
   (i) protect the interests of the Recipient and the Association;
   (ii) comply with its obligations under this Agreement;
   (iii) achieve the purposes of the Project.
   Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of a Fiscal Year trimester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

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

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

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

A. **General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-
   consulting services required for the Project and to be financed out of the proceeds
   of the Financing shall be procured in accordance with the requirements set forth
   or referred to in Section I of the Procurement Guidelines, and with the provisions
   of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to
   be financed out of the proceeds of the Financing shall be procured in accordance
   with the requirements set forth or referred to in Sections I and IV of the
   Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe
   particular procurement methods or methods of review by the Association of
   particular contracts, refer to the corresponding method described in Sections II
   and III of the Procurement Guidelines, or Sections II, III, IV and V of the
   Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting
   Services**

1. **National Competitive Bidding.** Except as otherwise provided in paragraph 2
   below, goods works and non-consulting services may be procured under
   contracts awarded on the basis of National Competitive Bidding in accordance
   with the provisions of the Public Procurement Act, subject to the following
   additional procedures:

   (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.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than National 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; (C) established private or commercial practices which have been found acceptable to the Association and further elaborated in the Operations Manual; and (D) Community Participation in Procurement which have been found acceptable to the Association and further elaborated in the Operations Manual.

C. Particular Methods of Procurement of Consultants' Services

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

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.
D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants</td>
<td>10,000,030</td>
<td>9,600,000</td>
<td>100% of Sub-grants Amount disbursed</td>
</tr>
<tr>
<td>(2) Consulting Services and Training</td>
<td>0</td>
<td>2,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, and Incremental Operating Costs</td>
<td>4,200,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>14,200,000</td>
<td>11,700,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $200,000 equivalent may be made for payments
made prior to this date but on or after April 1, 2012, for Eligible Expenditures under Categories (1), (2) and (3), provided that in the case of Category (1), the Sub-grants shall have been provided and the Sub-projects have been implemented following the requirements of the Guidelines for Sub-grants.

2. The Closing Date is June 30, 2017.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing December 15, 2022 to and including June 15, 2032</td>
<td>1%</td>
</tr>
<tr>
<td>commencing December 15, 2032 to and including June 15, 2052</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
SCHEDULE 4

Terms and Conditions of
Sub-grant Agreements

Except as the Association shall otherwise agree, in order to provide a Sub-grant to a Sub-grant Beneficiary, the Recipient shall through a District Development Committee enter into a Sub-grant Agreement with such Sub-grant Beneficiary, pursuant to which the Recipient through the District Development Committee shall obtain rights adequate to protect the interests of the Recipient and the Association, including the right to:

(i) Require the Sub-grant Beneficiary to carry out the Sub-project for which the Sub-grant is made:

(a) with due diligence and efficiency;

(b) in accordance with sound technical, economic, financial, managerial, environmental and social standards; and

(c) in accordance with the provisions of the Environmental and Social Risk Screening and Management Guidelines, the Governance and Peace Framework and the Anti-Corruption Guidelines.

(ii) Require the Sub-grant Beneficiary to provide, promptly as needed, the resources required for the Sub-project.

(iii) Require the Beneficiary to:

(a) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and

(b) at the Recipient’s or the Association’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association.
(iv) Require the Sub-grant Beneficiary to procure the goods, works and services to be financed out of the proceeds of the Sub-grant in accordance with the provisions of Section III of Schedule 2 to this Agreement.

(v) Require the Sub-grant Beneficiary to enable the Recipient and the Association to inspect the Sub-project and any relevant records and documents.

(vi) Require the Sub-grant Beneficiary to prepare and furnish to the Recipient and the Association all such information as they shall reasonably request relating to the foregoing.

(vii) Suspend or terminate the right of the Sub-grant Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Sub-grant Beneficiary’s failure to perform any of its obligations under the Sub-grant Agreement.
APPENDIX

Definitions


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


4. “District Development Committee” means a committee established under the Recipient’s Local Self Governance Act (1999) within a district of the Recipient responsible for entering into a Sub-grant Agreement with a Sub-grant Beneficiary on behalf of the district participating in the Project.

5. “Environmental and Social Risk Screening and Management Guidelines” or “ESRSM” means the guidelines acceptable to the Association, dated April 17, 2012, setting forth, inter alia: (i) policies and procedures for the assessment, screening and management of environmental impacts under the Project; (ii) policies and procedures for land acquisition and resettlement that might be carried out under the Project; and (iii) policies and strategies designed to ensure culturally appropriate benefits to the vulnerable and ethnic groups; as the same may be amended from time to time with the prior agreement of the Association.


7. “Governance and Peace Framework” means the Governance and Peace Framework acceptable to the Association, to be adopted by the Recipient pursuant to the provisions of paragraph E of Section I of Schedule 2 to this Agreement to set out, inter alia, policies and procedures for addressing and mitigating fiduciary risks and other programmatic risks under the Project, as the same may be amended from time to time with the agreement of the Association.

8. “Guidelines for the Sub-grants” means the guidelines, satisfactory to the Association, dated May 21, 2012, adopted by the Recipient, and referred to in paragraph B.2 of Section I of Schedule 2 to this Agreement.

9. “Incremental Operating Costs” means incremental costs incurred by MOFALD, PMT, NFSSCs and ward citizen forums, for the purposes of carrying out the
Project, including, \textit{inter alia}, office rent and utilities, printing expenses, office supplies and equipment insurance, office maintenance and repair, vehicle maintenance and repair, travel and per diem costs associated with routine monitoring and supervision, banking charges, information and communication costs, as well as other administrative costs directly associated with, and necessary under, the Project, but excluding salaries of the Recipient’s civil servants.

10. “MOFALD” means the Recipient’s Ministry of Federal Affairs and Local Development, or any successor thereto.

11. “NPC” means the Recipient’s National Planning Commission, or any successor thereto.

12. “Operations Manual” means the operations manual to be adopted by the Recipient pursuant to the provisions in paragraph B.1 of Section 1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association.


14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 24, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. “Project Coordination Committee” or “PCC” means the Project Coordination Committee referred to in Section I.A.2(b) of Schedule 2 to this Agreement.

16. “Project Management Team” or “PMT” means the Project Management Team referred to in Section I.A.2(a) of Schedule 2 to this Agreement.


19. “RRNI Team” means a RRNI team as a user committee established or to be established as a legal entity under the Recipient’s Local Self Governance Act (1999) and its implementing regulations, and “RRNI Teams” means the plural thereof.
20. "Sub-grant" means a grant to be provided by the Recipient through a District Development Committee to a Sub-grant Beneficiary to finance the costs of a Sub-project and the term "Sub-grants" means the plural thereof.

21. "Sub-grant Agreement" means an agreement to be entered into between the Recipient through a District Development Committee and a Sub-grant Beneficiary pursuant to paragraph F.1 of Section I of Schedule 2 to this Agreement.

22. "Sub-grant Beneficiary" means a village development committee or a RRNI Team eligible to receive a Sub-grant based on the selection criteria set out in the Operations Manual for carrying out a Sub-project and the term "Sub-grants" means the plural thereof.

23. "Sub-project" means the activities improving maternal and child nutrition as specified in the Guidelines for the Sub-grants and the Operations Manual and to be undertaken by a Sub-grant Beneficiary following the procedures of said Guidelines for the Sub-grants and Operations Manual, and the term "Sub-projects" means the plural thereof.

24. "Training" means the reasonable cost of: (i) training materials and rental of training facilities and equipment; (ii) tuition fees, travel, accommodation and per diem of trainers and trainees; and (iii) any other expenses related to training to be carried out under the Project.