

CONFORMED COPY

GRANT NUMBER TF 029645

Japanese Grant Agreement

(Basic and Primary Education II Project)

between

KINGDOM OF NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

as Administrator of Grant Funds  
provided by JAPAN

Dated December 17, 1996

GRANT NUMBER TF 029645

JAPANESE GRANT AGREEMENT

AGREEMENT, dated December 17, 1996, between KINGDOM OF NEPAL (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as Administrator (the Administrator) of grant funds provided by JAPAN (Japan).

WHEREAS (A) pursuant to a letter agreement dated July 30, 1990 between Japan and International Bank for Reconstruction and Development (the Bank) and the Association, Japan has requested the Bank and the Association, and the Bank and the Association have agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank and the Association, as the case may be, in accordance with the provisions of such letter agreement;

WHEREAS (B) Japan has agreed to make available to the Recipient a grant out of said grant funds (the Grant) to finance the cost of carrying out the technical assistance described in Schedule 2 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

(i) Article I;

- (ii) Sections 2.01 (1), (2), (3), (4), (5), (6), (7), (8), (9), (12), and (13), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Sections 4.01 and 4.05;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (b), (c), (d), (e), (g) and (h), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01, 9.03, 9.04, 9.05, 9.06, 9.07, and 9.08;
- (ix) Article X; and
- (x) Article XI.

(b) The General Conditions shall be modified as follows:

- (i) the term "Association" wherever used in the General Conditions, other than in Section 6.02 (e) thereof, means the International Development Association acting as Administrator of the Grant pursuant to the letter agreement between Japan and the Bank and the Association referred to in Recital (A) of this Agreement, except that in Section 6.02, the term "Association" shall also include the International Development Association acting in its own capacity;
- (ii) the term "Borrower" wherever used in the General Conditions, means the Recipient;
- (iii) the term "Development Credit Agreement" wherever used in the General Conditions, means this Agreement;
- (iv) the term "Credit" wherever used in the General Conditions, means the Grant;
- (v) the term "Credit Account" wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;
- (vi) the term "Project" wherever used in the General Conditions, means the technical assistance described in Schedule 2 to this Agreement;
- (vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in dollars; provided, however, that if the expenditures to be financed out of the proceeds of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."; and

(viii) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Recipient shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth.

## ARTICLE II

### The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount of one million six hundred thirteen thousand seven hundred and fifty dollars (\$1,613,750).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of carrying out the Project and to be financed out of the Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Nepal Rastra Bank a special deposit account on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be July 31, 1998 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

## ARTICLE III

### Execution of the Project

Section 3.01. The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, educational, computer and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;
- (ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Administrator has received the audit for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Administrator's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 3.04. Without limitation upon the applicable provisions of Article IX of the General Conditions, the Recipient shall:

- (a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, a plan for the future operation of the Project;
- (b) afford the Administrator a reasonable opportunity to exchange views with the Recipient on said plan; and
- (c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Administrator's comments thereon.

#### ARTICLE IV

##### Effectiveness; Termination

Section 4.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 4.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

#### ARTICLE V

##### Representation

Section 5.01. The Secretary, Ministry of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance  
His Majesty's Government of Nepal  
Kathmandu  
Nepal

Cable address:

ARTHA  
Kathmandu  
Nepal

Telex:

2249-ARTHA-NP

For the Administrator:

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

Cable address:

INDEVAS

Telex:

197688 (TRT),

Washington, D.C.

248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the day and year first above written.

KINGDOM OF NEPAL

By /s/ Madvav Ghimere (Joint Secretary, Ministry of Finance)  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the Grant

By /s/ Robert Drysdale

Acting Regional Vice President  
South Asia

#### SCHEDULE 1

##### Withdrawal of the Grant

1. The table below sets forth the Categories of items to be financed out of the Grant, the allocation of the amount of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Grant Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods	51,000	100%
(2) Consultants' Services	809,000	100%
(3) Training	466,750	100%
(4) Operating Expenses	45,000	100%
(5) Unallocated	242,000	
TOTAL	1,613,750	

2. For the purposes of this Schedule the term "Operating Expenses" means incremental operating costs incurred in respect of operating and maintaining equipment and premises including the cost of office administration, communication and office supplies required for the provision of the Technical Assistance.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for goods under contracts not exceeding \$50,000 equivalent and consultants' services under contract not exceeding \$100,000 in the case of firms and \$50,000 in the case of individuals, under such terms and conditions as the Administrator shall specify by notice to the Recipient.

#### SCHEDULE 2

##### Description of Technical Assistance

The objective of the Technical Assistance is to assist in preparation for a proposed Basic and Primary Education Project.

The Technical Assistance consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree from time to time to achieve such objective:

(a) revision and updating of the Basic and Primary Education Master Plan and its recommendations;

(b) carrying out of baseline studies (to determine educational status) in districts where the proposed Project will be active;

(c) provision of relevant training to strengthen management and organization of various basic and primary education programs;

(d) study tours and overseas visits;

(e) development of a Project Management Information System;

(f) pilot studies of an Education Management Information System;

(g) analysis of the results of several pilot projects of compulsory primary education;

(h) design of a student learning evaluation scheme; and

(i) preparation and installation of training packages for school supervisors and resource persons.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods

###### National Shopping

Computers and related equipment may be procured on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996 (the Guidelines).

##### Section II. Employment of Consultants

1. In order to assist the Recipient in carrying out the Technical Assistance, the Recipient shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex time-based assignments, the Recipient shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Bank, the Recipient shall use other standard forms agreed with the Administrator.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

### SCHEDULE 4

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 through 3 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the amount of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$250,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Administrator has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Administrator within the period of time specified in Section 3.03 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible

Categories minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

(c) The Recipient may, upon notice to the Administrator, refund to the Administrator all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Administrator made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

