

CONFORMED COPY

**CREDIT NUMBER 4603 -NP
GRANT NUMBER H486 -NP**

Financing Agreement

(Project for Agriculture Commercialization and Trade)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 21, 2009

CREDIT NUMBER 4603-NP
GRANT NUMBER H486-NP

FINANCING AGREEMENT

AGREEMENT, dated August 21, 2009, 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 credit and a grant (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 seven million two hundred thousand Special Drawing Rights (SDR 7,200,000) (“Credit”); and
 - (b) an amount equivalent to six million three hundred thousand Special Drawing Rights (SDR 6,300,000) (“Grant”).
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 February 15 and August 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 objectives of the Project. To this end, the Recipient shall carry out the Project 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 the Secretary, Ministry of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile:

(977-1) 4211-164

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 Washington, D.C.	248423 (MCI)	1-202-477-6391

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

NEPAL

By /s/ Rameshore Prasad Khanal

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Susan G. Goldmark

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the competitiveness of smallholder farmers and the agribusiness sector in selected commodity Value Chains in selected districts in the Recipient's territory by: (i) helping farmer groups and cooperatives engage in profitable market-oriented production and improved access to markets through the provision of technology and information services and critical public infrastructure and linkages to agribusiness; (ii) creating and strengthening industry-wide partnerships along the Value Chain, thus forging linkages between producers, traders, processors, and other stakeholders; and (iii) reducing existing obstacles to agriculture and food trade thereby increasing the ability of farmers and agribusiness to respond to sanitary and phytosanitary (SPS) and food-quality standards to meet domestic and international market requirements.

The Project consists of the following parts:

Part 1: Agriculture and Rural Business Development

A. Pre-investment Advisory Support

- (1) Preparation of value chain development plans (VCDPs) at the district, regional and national levels for the purposes of, *inter alia*: (i) identifying and analyzing constraints and opportunities for developing linkages for a Value Chain; and (ii) guiding the implementation of the Project.
- (2) Provision of training, workshops, technical assistance, advisory service and other capacity building activities for Value Chain Participants to enable them to review their commercialization options and prepare viable business plans and investment proposals for Subprojects to be financed by Technology Grants, Infrastructure Grants or Agribusiness Grants.

B. Technology Support and Market Infrastructure

(1) Technology Grants

Provision of Technology Grants to Beneficiaries to enable them to carry out Subprojects aimed at developing and disseminating technology, including: (i) acquisition of improved genetic/planting materials, as well as testing, multiplication, and dissemination/distribution; (ii) small- and medium-size quality improving technologies (such as processing, grading, and packaging) for testing and introduction; and

(iii) technologies to improve access to market and other relevant information.

(2) Infrastructure Grants

Provision of Infrastructure Grants to Beneficiaries to enable them to carry out Subprojects aimed at improving production and productivity, adding value, and reducing costs of marketing, including infrastructure works and other investments in storage facilities, grading and sorting equipment, value addition facilities, small irrigation systems, link roads and collection centers.

(3) Resettlement and Rehabilitation

Carrying out a program of compensation, resettlement and rehabilitation of Displaced Persons under Part 1.B of the Project.

C. Agribusiness Support

(1) Agribusiness Grants

Provision of Agribusiness Grants to Beneficiaries, as supplemental equities for loans to be provided to them by commercial banks or microfinance institutions, to enable them to carry out Subprojects aimed at expanding agriculture commercialization and investment in agribusiness, including: (i) agro-processing and productivity related infrastructure and services in agriculture (including livestock); (ii) technology related investments (including improved crop management, and development and testing of new improved varieties/breeds of selected commodities); and (iii) marketing investments (including promotional activities for increased consumption of a commodity, expansion to export markets, and establishment of modern wholesale and electronic auction markets).

(2) Resettlement and Rehabilitation

Carrying out a program of compensation, resettlement and rehabilitation of Displaced Persons under Part 1.C of the Project.

Part 2: Support for Sanitary and Phytosanitary (SPS) Facilities and Food Quality Management

A. Support for Laboratories

Provision of critical equipment for the Central Food Laboratory (CFL), the Veterinary Standards and Drug Administration Laboratory (VSDAL), and the National Plant Quarantine Program (NPQP) for the purposes of, *inter alia*, providing the necessary support to the Value Chains in meeting market demanded quality standards by analyzing samples in the laboratories and providing inspections at production sites.

B. Support for Surveillance and Monitoring Programs

Provision of equipment, transport facilities and supplies, training, technical assistance and other capacity building activities for the purposes of, *inter alia*, establishing and improving pest/disease surveillance and monitoring programs and improving import/export quality control procedures.

C. Support for Food Quality and Safety Management Systems

Carrying out activities aimed at controlling potential hazards at all stages of the Value Chain by using effective food quality and safety management systems, including compliance to standards and promoting programs of good agricultural practice (GAP), good veterinary practice (GVP), good manufacturing practice (GMP), and hazard analysis and critical control point (HACCP).

Part 3: Project Management and Monitoring and Evaluation

A. Project Promotion

Carrying out publicity and awareness campaigns for potential participants for the purposes of, *inter alia*, sharing information concerning the Project, including Project objectives, the strategy for achieving the objectives, implementation arrangements, eligibility criteria for accessing Project funds, and monitoring and reporting arrangements.

B. Project Management Support

Support to NPSC, PMT, the Monitoring and Evaluation Division of MOAC and other agencies for the oversight, coordination, management, and monitoring and evaluation of Project activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. National Project Steering Committee (NPSC)

The Recipient shall establish by September 4, 2009, and thereafter maintain, the National Project Steering Committee (NPSC) with functions and composition satisfactory to the Association, including senior representatives of MOAC, MOF, MOLD, MOFSC, MOI, NPC, NARC, FNCCI, other senior officials of key stakeholder ministries, agencies and institutions, and representatives of civil society relevant to the Project.

B. Project Management Team (PMT)

1. The Recipient shall, by September 4, 2009 complete the staffing of, and thereafter maintain, the Project Management Team (PMT) with functions and key professionals with skills, qualifications, experience and terms of reference satisfactory to the Association, including: (i) Project Director; (ii) Deputy Project Director; (iii) Planning/Administrative Officer; (iv) Monitoring and Evaluation, and Compliance Officer; (v) Finance/Accounts Officer; (vi) Procurement Officer; and (vii) Accountant.
2. The Recipient shall ensure that the key staff in the Project Management Team (PMT) listed in Paragraph 1 above are not transferred to other positions during the period of Project implementation (and in the case of the Finance/Accounts Officer, until six (6) months following the Closing Date or until the submission of the final audited Financial Statements to the Association pursuant to Section II of Schedule 2 to this Agreement, whichever occurs later), except with prior notice to the Association and as required by the applicable laws of the Recipient.

C. Project Implementation Manual

The Recipient shall ensure that: (i) the Project (including Subprojects) is implemented in accordance with the provisions of the Project Implementation Manual; and (ii) no action is taken which would prevent or interfere with such implementation.

D. Technology Grants, Infrastructure Grants and Agribusiness Grants

1. The Recipient shall provide each Technology Grant, Infrastructure Grant or Agribusiness Grant to a Beneficiary under Part 1 of the Project: (i) in accordance with the eligibility and selection criteria, and disbursement, financial

management, monitoring and other relevant provisions set forth in the Project Implementation Manual; and (ii) pursuant to an agreement to be entered into between the Recipient and such Beneficiary (Subproject Grant Agreement) containing 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 Grant provided to a Beneficiary under a Subproject 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; and (iii) achieve the purposes of the Project. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subproject Grant Agreement or any of its provisions.

E. Environmental and Social Management Framework (ESMF)

The Recipient shall ensure that: (i) the Project (including Subprojects) is implemented in accordance with the provisions of the Environmental and Social Management Framework (ESMF) (including the provisions of each Environmental Management Plan (EMP), environmental code of practice, Resettlement Action Plan (RAP), Integrated Pest Management Plan (IPMP), Indigenous People Development Plan (IPDP) and other environmental and social management plan prepared in accordance with such Framework); and (ii) no action is taken which would prevent or interfere with such implementation.

F. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

G. Annual Work Program and Budget (AWPB)

1. The Recipient shall: (i) at least sixty (60) days prior to the beginning of each Fiscal Year, prepare and furnish to the Association a proposed Annual Work Program and Budget (AWPB) for such Fiscal Year; and (ii) afford the Association a reasonable opportunity to discuss such Annual Work Program and Budget (AWPB) with the Recipient prior to submitting it for final governmental approval.
2. Without limitation on Paragraph 1 above, the Recipient shall ensure that the total project costs set forth in each such AWPB include activities to be funded by the Recipient and contributions to be made by Beneficiaries, both in amounts satisfactory to the Association.

H. Technical, Environmental and Social Audits

The Recipient shall: (i) by March 31, 2010 submit to the Association terms of reference, satisfactory to the Association, for technical, environmental and social audits of the Project (including Subprojects); and (ii) thereafter arrange for an independent agency acceptable to the Association to carry out such audits in each Fiscal Year in accordance with such terms of reference and with a timetable satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 un-audited 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 and Works.** All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **National Competitive Bidding.** Except as otherwise provided in paragraph 3 below, goods and works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with the provisions of the Public Procurement Act (and regulations made thereunder), subject to the following:
 - (i) Only the bidding documents approved by the Association shall be used.
 - (ii) No preference shall be given to any bidder.
3. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding and National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Shopping
(b)	Direct Contracting
(c)	Community Participation procedures acceptable to the Association

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 and using only the request for proposal (RFP) documents approved by the Association.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(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)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR)</u>	<u>Amount of the Grant Allocated (Expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (Inclusive of Taxes)</u>
(1) Technology Grants, Infrastructure Grants and Agribusiness Grants	3,160,000	2,660,000	100% of amounts disbursed
(2) Works, goods and consultants’ services	2,600,000	2,110,000	100%
(3) Training, workshops and study tours	0	350,000	100%
(4) Incremental Operating Costs	670,000	540,000	80%
(5) Unallocated	770,000	640,000	
TOTAL AMOUNT	7,200,000	6,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 535,000 equivalent may be made for payments made prior to this date but on or after June 4, 2009, for Eligible Expenditures under Categories (2), (3) and (4); or
 - (b) for payments under Category (1), unless and until the Recipient has prepared and adopted: (i) the Project Implementation Manual; (ii) the standard form of Subproject Grant Agreement; (iii) the eligibility criteria for Subproject Grants; and (iv) a revised Environmental and Social Management Framework setting forth *inter alia*, an updated list of pesticides authorized for use in the Project (including Subprojects) and revised descriptions of implementation and monitoring arrangements; all in form and substance satisfactory to the Association.

2. The Closing Date is June 30, 2015.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15:	
commencing August 15, 2019 to and including February 15, 2029	1%
Commencing August 15, 2029 to and including February 15, 2049	2%

* 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 Subproject Grant Agreements

Except as the Association shall otherwise agree, in order to provide a Technology Grant, an Infrastructure Grant or an Agribusiness Grant (collectively, a Subproject Grant) to a Beneficiary, the Recipient shall enter into a written agreement with such Beneficiary (Subproject Grant Agreement), pursuant to which the Recipient shall obtain rights adequate to protect the interests of the Recipient and the Association, including the right to:

- (i) require that the Subproject for which the Subproject Grant is made be carried out:
 - (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 Project Implementation Manual, the Environmental and Social Management Framework, and the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Recipient;
- (ii) require that:
 - (a) adequate records and accounts to reflect the operations, resources and expenditures related to the Subproject be maintained; and
 - (b) at the Recipient's or the Association's request, such records and accounts be audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and, as so audited, promptly furnished to the Recipient and the Association;
- (iii) require that:
 - (a) the goods, works and services to be financed out of the proceeds of the Subproject Grant be procured in accordance with the provisions of Schedule 2 to the Financing Agreement; and
 - (b) such goods, works and services be used exclusively in the carrying out of the Subproject;

- (iv) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;
- (v) obtain all such information as the Recipient or the Association shall reasonably request, regarding the administration, operation and financial condition of the Subproject; and
- (vi) suspend or terminate the right of the Beneficiary to use the proceeds of the Subproject Grant, or obtain a refund of all or any part of the amount of the Subproject Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Subproject Grant Agreement.

APPENDIX

Section I. Definitions

1. “Agribusiness” means an agro enterprise or cooperative that is engaged in the development of a Value Chain.
2. “Agribusiness Grant” means a grant to be made by the Recipient to a Beneficiary, out of the proceeds of the Financing, to finance the costs of goods, works and services for a Subproject under Part 1.C(1) of the Project.
3. “Annual Work Program and Budget” or “AWPB” means each Annual Work Program and Budget to be prepared for each Fiscal Year by the Recipient for the Project and setting forth, *inter alia*, activities planned under its work program for the Project and estimated costs for such activities.
4. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” dated October 15, 2006.
5. “Beneficiary” means a Value Chain Participant or Agribusiness eligible to receive a Technology Grant, an Infrastructure Grant or an Agribusiness Grant.
6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
8. “DDC” means a District Development Committee established in each district of the Recipient’s territory pursuant to the Recipient’s Local Self Governance Act, 2055 (1999).
9. “DFTQC” means the Department of Food Technology and Quality Control within MOAC, or any successor thereto.
10. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

11. “DLS” means the Department of Livestock Services within MOAC, or any successor thereto.
12. “DOA” means the Department of Agriculture within MOAC, or any successor thereto.
13. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework for the Project of April 2009, setting out, *inter alia*, policies and procedures for the assessment and management of social and environmental impacts of activities to be carried out under the Project (including Subprojects), and includes: (i) frameworks and guidelines for an Initial Environmental Examination (IEE), an Environmental Impact Assessment (EIA), an Environmental Management Plan (EMP), an environmental code of practice, a Resettlement and Rehabilitation Policy Framework (RRPF), a Resettlement Action Plan (RAP), an Integrated Pest Management Plan (IPMP) and an Indigenous People Development Plan (IPDP) set forth therein; and (ii) a list of pesticides authorized for use in the Project (including Subprojects) set forth therein; as the same may be amended from time to time with the agreement of the Association.
14. “Fiscal Year” or “FY” means the twelve (12) month period corresponding to any of the Recipient’s fiscal years, which period commences and ends in mid-July of each calendar year.
15. “FNCCI” means the Recipient’s Federation of Nepal Chamber of Commerce and Industry, established pursuant to the Recipient’s National Directories Act (1961), or any successor thereto.
16. “General Conditions” means the “International Development Association General Conditions for Credits and Grants” dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
17. “Incremental Operating Costs” means: (i) expenditures incurred by MOAC (including its Regional Offices, Monitoring and Evaluation Division, DOA, DLS, DFTQC and Department of Cooperatives), PMT, DDCs, VDCs, municipalities, or another agency or entity engaged in implementation of the Project for the operation and maintenance of facilities, equipment and vehicles used for Project implementation, including, without limitation, office rental, vehicle rental, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationeries and other office supplies, and costs of translation, printing, photocopying and advertising; (ii) transportation costs and subsistence allowances for staff of any such agency or entity in travel status for Project implementation; (iii) honoraria for professional peer reviewers and evaluation committee members for their review

of Subproject proposals; and (iv) salaries and allowances of incremental staff assigned to any such agency or entity for Project implementation but excluding salaries of the Recipient's civil servants.

18. "Infrastructure Grant" means a grant to be made by the Recipient to a Beneficiary, out of the proceeds of the Financing, to finance the costs of goods, works and services for a Subproject under Part 1.B(2) of the Project.
19. "MOAC" means the Recipient's Ministry of Agriculture and Cooperatives, or any successor thereto.
20. "MOF" means the Recipient's Ministry of Finance, or any successor thereto.
21. "MOFSC" means the Recipient's Ministry of Forests and Soil Conservation, or any successor thereto.
22. "MOI" means the Recipient's Ministry of Industry, or any successor thereto.
23. "MOLD" means the Recipient's Ministry of Local Development, or any successor thereto.
24. "NARC" means the Recipient's Nepal Agricultural Research Council, established pursuant to the Recipient's Nepal Agricultural Research Council Act (1991), or any successor thereto.
25. "National Project Steering Committee" or "NPSC" means the National Project Steering Committee to be established and maintained pursuant to Section I of Schedule 2 to this Agreement and responsible for, *inter alia*, overseeing overall Project implementation, including policies and guidelines formulation, coordination among government agencies, private sector institutions and other stakeholders, approval of the AWPBs and Subproject Grants, and oversight of the implementation of the AWPBs and Subproject Grants.
26. "NPC" means the Recipient's National Planning Commission, or any successor thereto.
27. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006.
28. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 22, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

29. “Project Implementation Manual” or “PIM” means the Project Implementation Manual for the Project to be prepared by the Recipient and referred to in Section IV of Schedule 2 to this Agreement, setting out, *inter alia*, details of principles, procedures, criteria, guidelines and timetables required for the implementation of the Project, including the administrative, operational, procurement, financial management, monitoring and evaluation, and project and financial reporting arrangements, as well as principles, criteria and procedures for selecting and implementing Subprojects and details of administering Subproject Grants, as the same may be amended from time to time with the agreement of the Association.
30. “Project Management Team” or “PMT” means the Project Management Team of MOAC to be maintained pursuant to Section I of Schedule 2 to this Agreement and responsible for, *inter alia*, planning, implementing, coordinating, supervising, monitoring and evaluating activities to be carried out under the Project.
31. “Public Procurement Act” means the Recipient’s Public Procurement Act, 2063 (2007).
32. “Subproject” means a set of activities to be undertaken by a Beneficiary with the proceeds of a Technology Grant, an Infrastructure Grant or an Agribusiness Grant.
33. “Subproject Grant” means a Technology Grant, an Infrastructure Grant or an Agribusiness Grant.
34. “Subproject Grant Agreement” means an agreement for a Technology Grant, an Infrastructure Grant or an Agribusiness Grant to be entered into between the Recipient and a Beneficiary pursuant to Section I of Schedule 2 to this Agreement.
35. “Technology Grant” means a grant to be made by the Recipient to a Beneficiary, out of the proceeds of the Financing, to finance the costs of goods, works and services for a Subproject under Part 1.B(1) of the Project.
36. “Value Chain” means a full range of activities required to bring a product or service from an idea or concept through the intermediate phases of production, processing, trading, transporting, to delivery to final consumer.
37. “Value Chain Participant” means a farmer organization, farmer group, commercial farmer, agribusiness enterprise, agriculture association, cooperative, commodity association, producer group, input supplier, processor, trader, transporter, exporter, enterprise, or another entity or individual participating in a Value Chain, and a stakeholder engaged in food quality and safety management.

38. “VDC” means a Village Development Committee established in the Recipient’s territory pursuant to the Recipient’s Local Self Governance Act, 2055 (1999).

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (1) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

(1) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”