

Public Disclosure Authorized

CONFORMED COPY

FPCR TF GRANT NUMBER TF093058

Food Price Crisis Response Trust Fund Grant Agreement

(Social Safety Nets Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as administrator of the Food Price Crisis Response Trust Fund)

Dated November 2, 2008

FPCR TF GRANT NUMBER TF093058

**FOOD PRICE CRISIS RESPONSE TRUST FUND
GRANT AGREEMENT**

AGREEMENT dated November 2, 2008, entered into between: NEPAL (“Recipient”); and INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of the Food Price Crisis Response Trust Fund (“FPCR TF”).

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, in this Agreement or in the SSNP Financing Agreement (as defined herein).

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement, (“Project”). To this end, the Recipient shall carry out: (i) Part 1 of the Project through MOLD and in partnership with WFP; (ii) Part 2 of the Project through DOA; and (iii) Part 3 of the Project through MOLD and DOA; all in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to five

million United States Dollars (\$5,000,000) (“Grant”) to assist in financing the Project.

- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

**Article IV
Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02(i) of the Standard Conditions consist of the following:
 - (a) The Recipient has failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to IDA or IBRD: (i) under this Agreement; or (ii) under any other agreement between the Recipient and IDA; or (iii) under any agreement between the Recipient and IBRD; or (iv) in consequence of any guarantee extended or other financial obligation of any kind assumed by IDA or IBRD to any third party with the agreement of the Recipient.
 - (b) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

**Article V
Effectiveness; Termination**

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.
 - (a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action.

- (b) The financing agreement (“SSNP Financing Agreement”) dated the same as this Agreement, between the Recipient and the World Bank, providing a credit and a grant in support of the Project (Credit No. 4510-NP; Grant No. H424-NP), including all appendices, schedules and agreements supplemental thereto, has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement and the IWRMP Additional Financing Agreement) have been fulfilled.
 - (c) The IWRMP Additional Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement and the SSNP Financing Agreement) have been fulfilled.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing, on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding upon it in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

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

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

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile:

(977-1) 4211-164

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions 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
(acting as administrator of the Food Price Crisis Response
Trust Fund)

By /s/ Susan Goldmark
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to ensure access to food and basic needs for vulnerable households in the short term in Food Insecure Districts.

The Project consists of the following parts:

Part 1: Food-for-Work Programs

- (a) Provision of food and basic needs to vulnerable households in Food Insecure Districts through the following programs to be implemented in partnership with WFP: (i) a rural community infrastructure works program consisting, *inter alia*, of construction of dry-season community roads and foot/mule trails; and (ii) a food for critical infrastructure and livelihood support program consisting, *inter alia*, of micro-irrigation, drinking water schemes, small rural market sheds/centers, community/village buildings and similar works, and support of small-scale enterprise projects such as cultivation of medicinal and aromatic plants and high value cash crops.
- (b) Carrying out a program of compensation, resettlement and rehabilitation of Displaced Persons under Part 1(a) of the Project.

Part 2: Support for Fertilizer and Seeds Use in Remote Areas

Activities aimed at improving the use of fertilizer by farmers in remote areas, including: (i) provision of transport subsidy payments for fertilizer and seeds; and (ii) data collection, monitoring and targeting activities to ensure small farmers are getting the subsidized fertilizer (including the design and piloting of a voucher scheme for poor farmers and farmer sensitization on the proper use of fertilizer).

Part 3: Project Implementation Support; Evaluation of Existing Cash Transfer Programs

- (a) Activities aimed at improving Project coordination, implementation, monitoring and evaluation, including: (i) independent monitoring and beneficiary assessments to evaluate the impacts of the activities under the Project; and (ii) capacity building activities, training and technical assistance for district- and village-level administrative officials.
- (b) Detailed evaluation and analysis of existing cash transfer programs to identify specific actions for strengthening the current social assistance programs, including: (i) review of the existing program administration

system (including targeting, recordkeeping, payments, staffing and skills); and (ii) design of an improved program administration (including assessing the current targeting systems and payment methods).

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

To the extent applicable, the provisions of Section I of Schedule 2 to the SSNP Financing Agreement are incorporated herein by reference and apply to this Agreement, *mutatis mutandis*.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one (1) Fiscal Year trimester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports; and Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each Fiscal Year trimester, covering the Fiscal Year trimester, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard 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 World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant, to the extent applicable, shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”) in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”) in the case of consultants’ services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in 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 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 World Bank 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 World Bank

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 World Bank.
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 World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts 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 Grant Allocated (Expressed in USD)</u>	<u>Percentage of Expenditures to be Financed (Inclusive of Taxes)</u>
(1) Goods, works and services under Part 1 of the Project (incurred by WFP)	5,000,000	100%
TOTAL AMOUNT	5,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$2,500,000 equivalent may be made for payments made prior to this date but on or after August 15, 2008 for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is September 30, 2011.