

CONFROMED COPY

GRANT NUMBER H340-NEP

Financing Agreement

(Additional Financing For Education for All Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 31, 2008

GRANT NUMBER H340-NEP

FINANCING AGREEMENT

AGREEMENT dated January 31, 2008, entered into between NEPAL (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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, in the Appendix to this Agreement, or in the Original Financing Agreement (as defined 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 in an amount equivalent to thirty-eight million seven hundred thousand Special Drawing Rights (SDR 38,700,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 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 Payment Dates are June 15 and December 15 in each year.
- 2.05. 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 through MOES 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 the Joint Financing Arrangement, the Program Implementation Manual, the EMP, the VCDP, and Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) A situation has arisen which shall make it improbable that the EFA Program, or a significant part thereof, will be carried out.
 - (b) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) the right of the Recipient to withdraw the proceeds of any grant or credit made to the Recipient for the financing of the EFA Program has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or
 - (B) any such credit has become due and payable prior to the agreed maturity thereof.
 - (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that:
 - (A) such suspension, cancellation, termination or prematuring was not caused by the failure of the Recipient to perform any of its obligations under such agreement; and
 - (B) adequate funds for the EFA Program are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE V - TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. 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 payments obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Secretary, Ministry of Finance.
- 6.02. The Recipient's Address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile:

(977-1) 4211-164

- 6.03. 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/ Vidyadhar Mallik

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Susan G. Goldmark

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) ensure access and equity in primary education; (ii) improve efficiency and institutional capacity; and (iii) contribute to sustainable socio-economic development and equity, through the enhancement of quality and relevance of basic and primary education to children and illiterate adults in the territory of the Recipient.

The Project consists of the following parts:

Part A: Expanding and Improving Early Childhood Development

Provision of goods and services, for a series of activities designed to establish new Early Childhood Development centers and operating existing Early Childhood Development Centers.

Part B: Ensuring Access to Education for all Children

The carrying out of works and provision of goods and services for a series of activities designed to improve the access to education for children in primary schools through:

1. Development of village education plans to promote social inclusion through partnerships with local organizations, and provision of School Grants.
2. Construction and furnishing of new classrooms, rehabilitation of existing classrooms, and improving site services in existing schools with special focus on drinking water facilities and school girls' sanitation facilities.
3. Construction of DEO buildings and Resource Center buildings.
4. Supporting alternative schooling for children aged from five (5) to seven (7) years in very small or remote hamlets through the provision of school outreach programs; and provision of flexible schooling programs for children aged from seven (7) to thirteen (13) years.

Part C: Meeting Learning Needs

Provision of goods and services for a series of activities designed to develop and implement:

1. a pilot program to facilitate home-to-school transition in schools serving predominantly non-Nepali speaking populations in selected districts and subsequent upscaling of the pilot program across the country;
2. a communication campaign for the EFA Program's objectives and strategies;
3. a primary education promotion strategy; and
4. a curriculum update.

Part D: Improvement of Adult Literacy

Provision of goods and services to support the ongoing women's literacy program and national literacy campaign through schools, local bodies and community groups and community learning centers catering to newly literate adults.

Part E: Eliminating Gender Disparity

1. The carrying out of a program for the provision by MOES of Basic Grants to unaccredited schools.
2. The carrying out of a program for the provision by MOES of Level I Grants and Level II Grants to eligible schools.
3. Development and implementation of a framework to prevent discrimination against students from *dalit*, disadvantaged *janajati* and other disadvantaged groups.
4. Provision of incentive scholarships to pre-service female teacher trainees, *dalit*, disadvantaged *janajati* and other disadvantaged groups.
5. Provision of scholarships to girls and *dalits*.

Part F: Improving Education Quality

1. Provision of services to support the development and carrying out of a School Improvement Plan (SIP).
2. Provision by MOES of School Improvement Plan Grants to schools.

3. Provision by MOES of grants for teacher salaries to schools.
4. Provision of services and in-country training for capacity building of SMC members, including head teachers and community organizations.
5. Strengthening and streamlining the education management information system through the provision of services.
6. Provision by MOES of Incentive Grants to both aided and unaided community-managed schools.
7. The carrying out of assessments and/or studies on the effectiveness of initiatives supported under the EFA Program, including, *inter alia*: (i) scholarships for girls, *dalits*, disadvantaged *janajati* and other disadvantaged groups; (ii) language transition for non-Nepali speaking children; (iii) alternative education; and (iv) adult literacy programs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Overall Project Implementation and Coordination

The provisions of Section I of Schedule 4 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

B. Annual Work Plan and Budget (AWPB)

1. The provisions of Section II of Schedule 4 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.
2. No withdrawals shall be made for payments made for Eligible Expenditures under any AWPB until the annual allocation and disbursement targets for such AWPB shall have been agreed with the Association during annual reviews.

C. School Grants

The provisions of Section III of Schedule 4 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

D. Anti-Corruption

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

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 one 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 Reports 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 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 \$500,000 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, 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 in accordance with the provisions of the Public Procurement Act 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

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods and works estimated to cost the equivalent of \$500,000 or more; (b) each contract for consultants' services provided by a firm and estimated to cost the equivalent of \$200,000 or more; and (c) each contract for consultants' services provided by individuals and estimated to cost the equivalent of \$20,000 or more.
2. 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| Category | Amount of the Financing Allocated (Expressed in SDR) | Percentage of Expenditures to be Financed |
|-----------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Eligible Expenditures under AWPBs | 38,700,000 | Such percentage of Eligible Expenditures as the Association may determine for any Fiscal Year |
| | | |
| TOTAL AMOUNT | 38,700,000 | |

3. For the purposes of this Section, the term “Eligible Expenditures” means the Eligible Expenditures as defined in the General Conditions and includes School Grants and scholarships provided under the Project and recurrent expenditures covered by the EFA Program; provided, however, that the term “Eligible Expenditures” does not include (i) expenditures which have not been incurred in accordance with the terms and conditions and eligibility criteria specified in the Program Implementation Manual or (ii) expenditures for goods, works or services supplied under a contract which the Association or any national or international financing institution or agency, other than the Pooling Donors, shall have financed or agreed to finance under any other credit or grant.

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 SDR 7,600,000 equivalent may be made for payments made prior to this date but on or after July 17, 2007, for Eligible Expenditures.
2. The Closing Date is January 31, 2010.

APPENDIX

Definitions

1. “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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006).
5. “Original Financing Agreement” means the development credit agreement for the Education for All Project between the Recipient and the Association, dated August 12, 2004, as amended to the date of this Agreement (Credit No. 3956-NEP).
6. “Original Project” means the Project described in the Original Financing Agreement.
7. “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.
8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 7, 2007, 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.
9. “Program Implementation Manual” means the Program Implementation Manual of the Recipient dated October 7, 2007, and approved by the Association, which sets forth guidelines for the implementation of the EFA Program, including the administration of School Grants, and replaces, *inter alia*, the Operational Manual (as defined in the Original Financing Agreement), as the same may be amended from time to time with the agreement of the Association.
10. “Public Procurement Act” means the Recipient’s Public Procurement Act, 2063 (2007).

11. "School Grants" means, collectively, Basic Grants, Level I Grants, Level II Grants, Incentive Grants, School Improvement Plan Grants and grants for the payment of teacher salaries provided to schools.
12. "School Improvement Plan Grants" means grants for the payment of non-salary recurrent costs incurred in connection with the implementation of a School Improvement Plan.