

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4707-NP
GRANT NUMBER H557-NP

Financing Agreement

(Second HNP and HIV/AIDS Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 18, 2010

CREDIT NUMBER 4707-NP
GRANT NUMBER H557-NP

FINANCING AGREEMENT

AGREEMENT dated August 18, 2010, 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 forty four million eight hundred sixteen thousand Special Drawing Rights (SDR 44,816,000) (“Credit”); and
 - (b) an amount equivalent to thirty eight million two hundred eighty four thousand Special Drawing Rights (SDR 38,284,000) (“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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 May 15 and November 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 through MOHP 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 and the Joint Financing Arrangement.

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 NHSP II, 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 credit, loan or grant made to the Recipient for the financing of NHSP II 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 or loan 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 NHSP II are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

- 4.02. The Additional Event of Acceleration consists of the following: that the event specified in paragraph (b)(i)(B) of Section 4.01 of this Agreement has occurred, subject to the provisions of paragraph (b)(ii) of that Section.

ARTICLE V — EFFECTIVENESS AND 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/ 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 enable the Recipient to increase access to essential health care services and their utilization by the underserved and the poor.

The Project, which is an integral part of NHSP II, consists of the following parts:

Part 1: Health Service Delivery

- 1.1. Carrying out of activities aimed at increasing access to, and utilization of, an affordable package of essential health care services, including: (i) establishment of new satellite clinics and upgrading of health posts and sub-health posts to increase access to primary health care; (ii) programs for community empowerment; (iii) programs for family health including safe motherhood and reproductive health; (iv) programs for child health including immunization and community based integrated management of childhood illness; (v) programs for communicable disease and vector borne disease control including pandemic preparedness and influenza control program, epidemiological surveillance, control of infectious diseases and zoonoses, tuberculosis, leprosy, malaria and kala-azar control program, and Japanese encephalitis; (vi) prevention of non-communicable disease risk factors; and (vii) strengthening delivery of preventive and curative services up to district hospitals.
- 1.2. Carrying out of activities aimed at improving the nutritional status of children and pregnant women, including: (i) support of the Recipient's strategy to reduce malnutrition; (ii) consolidation of existing programs at scale; (iii) implementation of a comprehensive program to address the barriers to early and exclusive breastfeeding as well as for improving practices for complementary feeding; (iv) scaling up the use of zinc and ORS for the treatment of diarrhea in children; (v) review and possible scaling-up of the community-based management of severe acute malnutrition; (vi) the establishment of a multi-sectoral coordination mechanism to enable better planning and coordination among the various ministries to ensure broader response to issues of poverty and food insecurity; and (vii) use of innovative approaches to explore ways of addressing general maternal and child under-nutrition.
- 1.3. Carrying out of activities aimed at expanding the coverage and improving the effectiveness in the response to HIV and AIDS, including the expansion of the coverage of interventions for underserved most at risk groups and the quality and effectiveness of services provided by: (i)

contracting out service delivery targeting these groups to national/international non-governmental organizations; (ii) improving the targeting of existing services; (iii) developing quality assurance mechanisms; and (iv) strengthened monitoring.

- 1.4. Carrying out of activities aimed at further reducing the mortality and morbidity associated with pregnancy and childbirth by: (i) increasing the percentage of births attended by skilled health workers, especially among the poor and underserved; (ii) providing incentives for pregnant women to attend at least four (4) ante-natal consultations; and (iii) discouraging teen-age pregnancies through national campaigns.

Part 2: Health Systems Strengthening

- 2.1. Carrying out of activities aimed at improving the availability of human resources for health, especially in under-served areas, including: (i) conducting an organization and management survey to assess the human resource requirement of MOHP based on organization and category of services; (ii) conducting a human resources study focusing on recruitment, deployment and retention of health workers in remote areas; and (iii) implementing deployment and retention strategies for health staff in remote areas.
- 2.2. Carrying out of activities aimed at improving the sustainability of financing health care services and towards providing protection against impoverishment due to ill-health, including analytical work to provide a means to engage government staff, local stakeholders and development partners in exploring options of health care financing in Nepal.
- 2.3. Carrying out of activities aimed at strengthening and expanding the scope of monitoring and evaluation, including annual facility surveys, household surveys and social audits including the use of community score cards.
- 2.4. Carrying out of activities aimed at improving governance and accountability in the health sector, including actions designed to mitigate the risks related to procurement, financial management, and monitoring and evaluation.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Overall Project Implementation and Coordination

The Recipient shall cause MOHP to be responsible, at the central level, for the overall coordination, monitoring, evaluation and reporting on the Project, including, *inter alia*, overseeing NHSP II, and reviewing, approving and coordinating, in consultation with the Pooling Donors, the implementation of the AWPBs.

B. Annual Work Plan and Budget (AWPB) and Joint Annual Reviews

1. Not later than January 30 of each year, the Recipient shall hold a joint annual review with the Pooling Donors to review the progress of Project implementation during the previous Fiscal Year.
2. Not later than two (2) weeks before each joint annual review referred to in the preceding paragraph, the Recipient shall cause MOHP to prepare and furnish to the Pooling Donors for its review a report including, *inter alia* (i) a review of the Project's progress against the performance indicators agreed with the Association; (ii) a review of the status of the Recipient's compliance with the Governance and Accountability Action Plan; (iii) a review of the status of the Recipient's meeting the financial management, disbursement, and procurement requirements under this Agreement; (iv) a review of the technical assistance provided, including findings of studies and research undertaken under the Project; (v) lessons learned and obstacles encountered in the implementation of the Project; and (vi) recommendations for the strategic directions and expenditures priorities for the next AWPB.
3. The Recipient, through MOHP, shall consult with the Pooling Donors at all stages of the development of each AWPB, including at a minimum at the end of each of the months of March, May and June of the relevant year, in order to ensure consistency between the AWPB agreed on by the Pooling Donors and the final AWPB presented to the Recipient's Parliament. The Recipient through MOHP shall promptly furnish to the Pooling Donors the final AWPB upon formal approval by the Recipient.

C. Withdrawals

The Recipient shall ensure that no withdrawals of the proceeds of the Financing are made under the provisions of Section IV of Schedule 2 to this Agreement for payments made: (i) for Eligible Expenditures under any AWPB until the annual

allocation and disbursement targets for such AWPB shall have been agreed with the Association; or (ii) for expenditures for goods, works or consultants' services supplied under a contract which the Association or any national or international agency or organization, other than the Pooling Donors, shall have financed or agreed to finance under any other credit, loan or grant.

D. Arrangements with NCASC and HSCB

1. The Recipient shall ensure that activities relating to the response to HIV and AIDS under the Project are implemented by NCASC and HSCB under arrangements among MOHP, NCASC and HSCB satisfactory to the Association.
2. Without limiting the generality of the foregoing, the Recipient shall ensure that by March 31, 2011, NCASC enters into consultant contracts with NGOs following the relevant provisions of Section III of Schedule 2 to this Agreement, under terms of reference satisfactory to the Association, for the provision of HIV/AIDS services to most at risk groups with geographic coverage and in the aggregate contract amount acceptable to the Pooling Donors.
3. The Recipient shall ensure that NCASC shall at all times have adequate capacity, satisfactory to the Association, to ensure effective management, including financial management, oversight and monitoring of the consultant contracts with NGOs referred to in paragraph D.2 above.

E. Subproject Grants to Beneficiaries

1. The Recipient shall provide each Subproject Grant to a Beneficiary: (i) in accordance with the guidelines for the implementation of each such Subproject Grant referred to in Paragraph F below in the case of a Beneficiary which is a health facility; 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 Subproject 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.

F. Guidelines for Implementation of Subproject Grants to Health Facilities

The Recipient shall, by June 30, 2010, prepare guidelines for the implementation of Subproject Grants to health facilities acceptable to the Association, and thereafter implement said guidelines. The said guidelines shall include, inter alia: (i) eligibility criteria and procedures for the selection of Beneficiaries and Subprojects; (ii) a list of expenditures eligible for financing out of the proceeds of Subproject Grants; (iii) financial management, disbursement and audit procedures consistent with the provisions of Section II B of Schedule 2 to this Agreement; (iv) procurement procedures consistent with the provisions in Section III of Schedule 2 to this Agreement; (v) the Environmental Management Framework, the Environmental Health Impact Assessment Plan, the Framework for Land Acquisition and Resettlement, the Indigenous People's Development Framework, the Gender Equality and Social Inclusion Strategy, and the Anti-corruption Guidelines.

G. Procurement Assistance Consultant

The Recipient shall, by December 31, 2010, enter into a contract for engaging the services of a procurement assistance consultant under terms of reference satisfactory to the Association.

H. Environmental Management Framework; Environmental Health Impact Assessment Plan; Framework for Land Acquisition and Resettlement; Indigenous People's Development Framework; Gender Equality and Social Inclusion Strategy

The Recipient shall ensure that: (i) the Project (including Subprojects) is implemented in accordance with the provisions of the Environmental Management Framework, the Environmental Health Impact Assessment Plan, the Framework for Land Acquisition and Resettlement, the Indigenous People's Development Framework, and the Gender Equality and Social Inclusion Strategy; and (ii) no action is taken which would prevent or interfere with such implementation.

I. Governance and Accountability Action Plan

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Governance and Accountability Action Plan.

J. 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 (1) 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 estimated to cost less than \$500,000 equivalent per contract and works estimated to cost less than \$1,000,000 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) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
 - (ii) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
 - (iii) bids shall be opened in public in one place, immediately after the deadline for submission of bids;
 - (iv) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;
 - (v) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association and contracts shall be awarded to the lowest evaluated bidders;
 - (vi) rebidding shall not be carried out without the prior concurrence of the Association;
 - (vii) extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it is longer than four (4) weeks and (B) for all subsequent requests for extension irrespective of the period; and

(viii) there shall not be any restrictions on the means of delivery of the bids.

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 in accordance with the provisions of the Public Procurement Act (and regulations made thereunder). 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

2. **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.
3. **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:

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Eligible Expenditures under AWPBs	44,816,000	38,284,000	Such percentage of Eligible Expenditures as the Association may determine for any Fiscal Year
TOTAL AMOUNT	44,816,000	38,284,000	

3. For the purposes of this Section, the term “Eligible Expenditures” means the Eligible Expenditures as defined in the General Conditions and includes development costs and recurrent costs incurred under NHSP II.

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 \$5,000,000 equivalent may be made for payments made prior to this date but on or after March 1, 2010 for Eligible Expenditures.
2. The Closing Date is July 15, 2015.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing May 15, 2020 to and including November 15, 2029	1%
commencing May 15, 2030 to and including November 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 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 the Beneficiary to carry out the Subproject for which the Subproject Grant is made:
 - (a) with due diligence and efficiency;
 - (b) in accordance with sound technical, economic, financial, managerial, environmental and social standards; and
 - (c) in accordance with the provisions of the Environmental Management Framework, the Environmental Health Impact Assessment Plan, the Framework for Land Acquisition and Resettlement, the Indigenous People's Development Framework, the Gender Equality and Social Inclusion Strategy, the Governance and Accountability Action Plan, and the Anti-Corruption Guidelines.
- (ii) Require the Beneficiary to provide, promptly as needed, the resources required for the Subproject.
- (iii) Require the Beneficiary to:
 - (a) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and
 - (b) at the Recipient's or the Association's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association.

- (iv) Require the Beneficiary to procure the goods, works and services to be financed out of the proceeds of the Subproject Grant in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.
- (v) Require the Beneficiary to enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents.
- (vi) Require the Beneficiary to prepare and furnish to the Recipient and the Association all such information as they shall reasonably request relating to the foregoing.
- (vii) Suspend or terminate the right of the 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. “AIDS” means acquired immune deficiency syndrome.
2. “Annual Work Plan and Budget” or “AWPB” means an Annual Work Plan and Budget, an operational plan to be prepared for each Fiscal Year under NHSP II in accordance with Section I of Schedule 2 to this Agreement.
3. “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.
4. “Beneficiary” means a health facility (and its Health Management Committee), or any other entity registered as a legal entity and operating under the relevant laws of the Recipient, and eligible to receive a Subproject Grant.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “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.
7. “Environmental Health Impact Assessment Plan” means the Environmental Health Impact Assessment Plan dated December 2009 and approved by the Association, setting out, *inter alia*, policies and procedures for the management of health care wastes generated from activities to be carried out under NHSP II (including the Project and Subprojects), as the same may be amended from time to time with the agreement of the Association.
8. “Environmental Management Framework” means the Environmental Management Framework for Physical Infrastructure Works dated December 2009 and approved by the Association, setting out, *inter alia*, policies and procedures for the assessment, screening and management of environmental impacts of the construction and rehabilitation of physical facilities to be carried out under NHSP II (including the Project and Subprojects), as the same may be amended from time to time with the agreement of the Association.
9. “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.

10. “Framework for Land Acquisition and Resettlement” means the Framework for Land Acquisition and Resettlement dated December 2009 and approved by the Association, setting out, *inter alia*, policies and procedures for land acquisition and resettlement to be carried out under NHSP II (including the Project and Subprojects), as the same may be amended from time to time with the agreement of the Association.
11. “Governance and Accountability Action Plan” means that Governance and Accountability Action Plan approved by the Association and incorporated in the Joint Financing Arrangement, setting out, *inter alia*, policies and procedures for addressing and mitigating fiduciary risks and other programmatic risks under NHSP II (including the Project and Subprojects), as the same may be amended from time to time with the agreement of the Association.
12. “Gender Equality and Social Inclusion Strategy” means the Health Sector Gender Equality and Social Inclusion Strategy dated December 2009 and approved by the Association, setting out, *inter alia*, policies, strategies and actions designed to mainstream gender equality and social inclusion in the Recipient’s health sector, to ensure equitable access to health services by the poor, vulnerable and marginalized castes and ethnic groups, and to improve their health-seeking behavior under NHSP II (including the Project and Subprojects), as the same may be amended from time to time with the agreement of the Association.
13. “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.
14. “HIV” means human immune deficiency virus.
15. “HSCB” means the HIV/STI Control Board, established pursuant to the Recipient’s Development Board Act (1956), or any successor thereto.
16. “Indigenous People’s Development Framework” means the Indigenous People’s Development Framework dated December 2009 and approved by the Association, setting out, *inter alia*, policies, strategies and actions designed to maximize the benefits accruing to vulnerable people under NHSP II (including the Project and Subprojects), as the same may be amended from time to time with the agreement of the Association.
17. “Joint Financing Arrangement” or “JFA” means the arrangement to be entered into by the Pooling Donors and the Recipient, providing for common procedures on monitoring, procurement, financial management, disbursement, cooperation and exchange of information for NHSP II.

18. “MOF” means the Recipient’s Ministry of Finance, or any successor thereto.
19. “MOHP” means the Recipient’s Ministry of Health and Population, or any successor thereto.
20. “NCASC” means the National Center for AIDS/STI Control within MOHP, or any successor thereto.
21. “NGO” means a non-governmental organization.
22. “NHSP II” means the Recipient’s Health Sector Program (FY2010/11-FY2014/15) described in the Government of Nepal 2009 Concept Note for the Development of Nepal Health Sector Program 2.
23. “NPC” means the Recipient’s National Planning Commission, or any successor thereto.
24. “Pooling Donors” means the Association and any other national or international agencies or organizations which may join the Joint Financing Arrangement in accordance with its terms, in order to pool their funds for the financing of NHSP II.
25. “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.
26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 26, 2010 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.
27. “Public Procurement Act” means the Recipient’s Public Procurement Act, 2063 (2007).
28. “Subproject” means health care services to be undertaken by a health facility, or any other activities to be undertaken by a Beneficiary under NHSP II with the proceeds of a Subproject Grant.
29. “Subproject Grant” means a grant to be provided by the Recipient to a health facility, or any other grant to be provided by the Recipient to a Beneficiary under NHSP II to finance the costs of a Subproject.
30. “Subproject Grant Agreement” means an agreement for a Subproject Grant to be entered into between the Recipient and a Beneficiary pursuant to Section I of Schedule 2 to this Agreement.

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:

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.”