

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4652-NP
GRANT NUMBER H518-NP

Financing Agreement

(School Sector Reform Program)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 27, 2009

CREDIT NUMBER 4652-NP
GRANT NUMBER H518-NP

FINANCING AGREEMENT

AGREEMENT dated November 27, 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 forty six million one hundred thousand Special Drawing Rights (SDR 46,100,000) (“Credit”); and
 - (b) an amount equivalent to thirty seven million seven hundred thousand Special Drawing Rights (SDR 37,700,000) (“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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 MOE/DOE 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 the SSR 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 credit, loan or grant made to the Recipient for the financing of the SSR 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 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 the SSR Program 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 proviso of paragraph (b)(ii) of that Section.

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/ 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 increase access to and improve quality of school education, particularly basic education (Grades 1-8), especially for children from marginalized groups.

The Project, which is an integral part of the SSR Program, consists of the following parts:

Part 1: Basic Education

- 1.1. Carrying out of activities aimed at increasing access and inclusion in basic education, including: (i) welcome-to-school and other outreach programs; (ii) provision of scholarships to targeted groups of children; (iii) increased use of multilingual teachers and learning materials; (iv) provision of mid-day meals in selected districts; (v) school mapping exercises to determine the extent of out-of-school children; (vi) expansion of physical facilities, including classroom construction and rehabilitation; and (vii) increased use of the Recipient's per capita financing (PCF) system for teacher salaries for un-served students and non-salary inputs such as textbooks and other block grants.
- 1.2. Carrying out of activities aimed at improving quality in basic education, including: (i) at the student and school level, provision of free textbooks, provision of multilingual teachers and instructional materials to schools and other quality-enhancing block grants included in annual school improvement plans, salary grants to improve the pupil-teacher ratio, performance-based incentives and matching grants to schools, performance-based incentives for students; (ii) at the district level, strengthening of the educational management information system (EMIS) and flash reporting systems, and development, digitization and training for local curriculum; and (iii) at the central level, updating of curriculum to gradually adopt a competency-based system, textbooks and teacher guides, piloting of innovative quality interventions and their evaluation, and introduction of a continuous assessment system and sample-based standardized student assessments for grades 3, 5 and 8.
- 1.3. Carrying out of activities aimed at better preparing children for school, including: (i) provision of remuneration for facilitators and education materials at existing early childhood education development (ECED) centers; and (ii) establishment and operation of new early childhood education development (ECED) centers in rural areas.

- 1.4. Carrying out of activities aimed at improving literacy and continuing education, including support of the operation of community learning centers.
- 1.5. Provision of: (i) salaries and benefits for primary and lower secondary school teachers in government teacher positions; (ii) *raahat* (temporary relief) salary grants for primary and lower secondary school teachers in positions at the end of the EFA Program; and (iii) salaries and benefits for additional primary and lower secondary school teachers to be financed through the Recipient's per capita financing (PCF) system.

Part 2: Secondary Education

- 2.1. Carrying out of activities aimed at increasing access and equity in secondary education, including: (i) expansion of physical facilities, including classroom construction and rehabilitation, library and laboratory construction, and construction of schools for children with special needs; (ii) provision of scholarships for targeted groups of children; and (iii) provision of open learning centers, non-formal education for adult women, and grants to traditional schools.
- 2.2. Carrying out of activities aimed at improving quality in secondary education, including: (i) development of norms and standards for curriculum, education materials, teachers, school environment and examination systems; (ii) integration of grades 9-10 with grades 11-12 to form a single secondary cycle of grades 9-12; and (iii) provision of performance-based grants, textbooks and other non-salary grants to secondary schools based on the per capita financing (PCF) system.
- 2.3. Carrying out of activities aimed at preparing school children for future employment, including piloting of technical education and vocational training programs such as in-school crafting skills classes for grades 7 and 8 and in-school training in non-formal apprenticeship for grades 9 and 10.
- 2.4. Provision of: (i) salaries and benefits for secondary school teachers in government teacher positions; (ii) *raahat* (temporary relief) salary grants for secondary school teachers in positions at the end of FY2008/09; (iii) salaries and benefits for additional secondary school and higher secondary school teachers to be financed through the Recipient's per capita financing (PCF) system; and (iv) salary grants for secondary school teachers.

Part 3: Institutional Capacity Strengthening

- 3.1. Carrying out of activities aimed at improving teacher recruitment and professional development, including: (i) provision of teacher grants through the per capita financing (PCF) system to support school-based recruitment of licensed teachers; (ii) provision of school-based teacher training and resource center-based teacher training; and (iii) upgrading of teacher licensing practices.
- 3.2. Carrying out of activities aimed at strengthening capacity at the school and implementing agency levels, including: (i) enhancing the management capacity of school management committees (SMCs) through preparation and utilization of school improvement plans (SIPs); (ii) preparation by schools of social audits on school funds utilization; (iii) carrying out of a large-scale communication campaign to reach out to parents and civil society to reinforce the main policy thrusts of the SSR Program such as community management of schools, the per capita financing (PCF) system, quality improvement and reduction of repetition and dropout rates at grade 1; and (iv) provision of incentive grants to schools to encourage them to become community-managed schools.
- 3.3. Carrying out of program management and monitoring and evaluation activities, including: (i) educational management information system (EMIS) data collection and reporting; (ii) commissioning of quantitative and qualitative studies, learning assessments of international standards, and impact evaluation of pilot activities; and (iii) implementation of the Recipient's governance and accountability action plan (GAAP) for the SSR Program.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Overall Project Implementation and Coordination; Program Implementation Guidelines**

1. The Recipient shall cause MOE/DOE to be responsible, at the central level, for the overall coordination, monitoring, evaluation and reporting on the Project, including, *inter alia*, overseeing the SSR Program, reviewing, approving and coordinating, in consultation with the Pooling Donors, the implementation of the ASIPs and the AWPBs.
2. The Recipient shall ensure that: (i) the Project (including Subprojects for community schools) is implemented in accordance with the provisions of the Program Implementation Guidelines; and (ii) no action is taken which would prevent or interfere with such implementation.

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

1. The Recipient shall cause MOE/DOE, not later than April 15 of each year, to prepare and furnish to the Association a draft ASIP and AWPB for the following Fiscal Year, for its review, and promptly furnish the final ASIP and AWPB after their formal endorsement. Each such AWPB shall: (i) have been prepared in consultation with and based on data collected from the various stakeholders of the SSR Program; (ii) include fully costed proposed activities for each output, linked with performance targets of the SSR Program; (iii) be in line with the SSR Program; and (iv) include a draft medium-term expenditures framework for the following Fiscal Year.
2. The Recipient shall, no later than two (2) weeks prior to the joint annual review meeting to be held no later than April 30 of each year, furnish to the Association an annual report summarizing the status of key indicators, relevant surveys, special studies and education project expenditure reviews.

C. Subproject Grants to Beneficiaries (other than Community Schools)

1. The Recipient shall provide each Subproject Grant to a Beneficiary, other than a community school, 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 Section A of 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.

D. Grants to Beneficiaries (which are Community Schools)

1. The Recipient shall provide a Subproject Grant to a Beneficiary, which is a community school: (i) in accordance with the eligibility and selection criteria, the disbursement, financial management, monitoring and other relevant provisions set forth in the Program Implementation Guidelines; and (ii) pursuant to arrangements satisfactory to the Association, which shall include the provisions set forth in Section B of Schedule 4 to this Agreement.
2. The Recipient shall exercise its rights in relation to each such Subproject Grant provided to a Beneficiary under the above-mentioned arrangements 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 the above-mentioned arrangements or any of their provisions.

E. Vulnerable Community Development Framework (VCDF); Environmental Management Framework (EMF); Land Acquisition Framework; Involuntary Resettlement

1. The Recipient shall ensure that: (i) the Project (including Subprojects) is implemented in accordance with the provisions of the Vulnerable Community Development Framework (VCDF) (including the provisions of each Vulnerable Community Development Plan prepared in accordance with such Framework), the Environmental Management Framework (EMF) (including the provisions of each Environmental Management Plan and other environmental and social management plan prepared in accordance with such Framework) and the Land Acquisition Framework; and (ii) no action is taken which would prevent or interfere with such implementation.
2. Without limiting the generality of the foregoing, the Recipient shall ensure that the implementation of the Project (including Subprojects) does not involve: (a) any 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 the affected persons must move to another location; or

(b) any involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihood of the affected persons.

F. 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 and works estimated to cost less than \$200,000 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 model bidding documents for National Competitive Bidding agreed with the Association (as amended from time to time), including qualification criteria, shall be used;
 - (ii) bid documents shall be made available, by mail or in person, to all who pay the required fee;
 - (iii) there shall not be any restrictions, such as registration/licensing requirements, for purchase of bid documents and bidding by foreign bidders, and no preference of any kind shall be given to any bidders in the bidding process when competing with the foreign bidders, state owned enterprises, or small scale enterprises;
 - (iv) if a registration process is required, a foreign bidder declared as the lowest evaluated responsive bidder shall be given a reasonable opportunity of registering, without let or hindrance;
 - (v) rebidding shall not be carried out without the prior concurrence of the Association;

- (vi) invitations to re-bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for submission of bids; and
- (vii) except in cases of *force majeure* and/or situations beyond the control of the Recipient, extension of bid validity shall not be allowed without the prior concurrence of the Association: (a) for the first request of extension if it is longer than four (4) weeks; and (b) for all subsequent requests for extension irrespective of the period.

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 Public Procurement Act. 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:

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	46,100,000	37,700,000	Such percentage of Eligible Expenditures as the Association may determine for any Fiscal Year
TOTAL AMOUNT	46,100,000	37,700,000	

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

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 7,540,000 equivalent from the proceeds of the Grant may be made for payments made prior to this date but on or after July 16, 2009, for Eligible Expenditures; or
 - (b) 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; or
 - (c) for payments made 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.
2. The Closing Date is December 15, 2014.

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 November 15, 2019 to and including May 15, 2029	1%
commencing November 15, 2029 to and including May 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 Grants**

- A. For each Subproject Grant to a Beneficiary, other than a community school, the Recipient shall enter into a written agreement with the relevant 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 Program Implementation Guidelines, the Vulnerable Community Development Framework, the Environmental Management Framework, the Land Acquisition Framework, and the Anti-Corruption Guidelines applicable to recipients of credit/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 Section III 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.
- B. For each Subproject Grant to a Beneficiary, which is a community school, the Recipient shall make all necessary regulatory arrangements, through which it shall ensure that the relevant Beneficiary:
- (i) carries 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 Program Implementation Guidelines, the Vulnerable Community Development Framework, the Environmental Management Framework, the Land Acquisition Framework, and the Anti-Corruption Guidelines applicable to recipients of credit/grant proceeds other than the Recipient;
 - (ii) is required to:
 - (a) maintain adequate records and accounts to reflect the operations, resources and expenditures related to the Subproject; and
 - (b) at the Recipient's or the Association's request, cause such records and accounts to 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) is required to:
 - (a) 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; and
 - (b) use such goods, works and services exclusively in the carrying out of the Subproject;
- (iv) grants the right to the Recipient to 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) grants the right to 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) grants the right to 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 arrangements.

APPENDIX**Section I. Definitions**

1. “Annual Strategic Implementation Plan” or “ASIP” means an Annual Strategic Implementation Plan, an implementation plan to be prepared for each Fiscal Year under the SSR Program setting out key strategies and procedures for implementing the AWPB for such Fiscal Year.
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 the SSR Program 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: (i) a community school (and its school management committee (SMC) or (ii) a community-based organization (CBO), a non-governmental organization (NGO), or any other entity or individual 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. “DOE” means the Department of Education within MOE, or any successor thereto.
8. “Environmental Management Framework” or “EMF” means the Environmental Management Framework for the SSR Program dated May 2009 and approved by the Association, setting out, *inter alia*, policies and procedures for the assessment, screening and management of environmental impacts of activities to be carried out under the SSR Program (including the Project and Subprojects), as the same may be amended from time to time with the agreement of the Association.
9. “EFA Program” means the Recipient’s Education for All Program referred to in 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).

10. “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.
11. “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.
12. “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 the SSR Program.
13. “Land Acquisition Framework” means the Framework for Land Acquisition through Voluntary Donations or Willing Buyer/Willing Seller Processes for the SSR Program dated July 2009 and approved by the Association, setting out, *inter alia*, policies and procedures for land acquisition to be carried out under the SSR Program (including the Project and Subprojects), as the same may be amended from time to time with the agreement of the Association.
14. “MOE” means the Recipient’s Ministry of Education, or any successor thereto.
15. “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 the SSR Program.
16. “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.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated August 19, 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.
18. “Program Implementation Guidelines” means the Program Implementation Guidelines prepared in 2007 for the EFA Program, which shall also be used for the SSR Program, setting out, *inter alia*, details of principles, procedures, criteria, guidelines and timetables required for the implementation of the SSR Program, including the administrative, operational, procurement, financial management, monitoring and evaluation, and project and financial reporting arrangements, as the same may be amended from time to time with the agreement of the Association.

19. “Public Procurement Act” means the Recipient’s Public Procurement Act, 2063 (2007).
20. “Subproject” means a set of activities to be undertaken by a Beneficiary under the SSR Program with the proceeds of a Subproject Grant.
21. “Subproject Grant” means a grant or scholarship to be provided by the Recipient to a Beneficiary under the SSR Program to finance the costs of a Subproject.
22. “Subproject Grant Agreement” means an agreement for a Subproject Grant to be entered into between the Recipient and a Beneficiary (other than a community school) pursuant to Section I of Schedule 2 to this Agreement.
23. “SSR Program” means the Recipient’s School Sector Reform Program (2009-2014) described in: (i) the MOE (2007) School Sector Reform Program Core Document dated September 30, 2007; and (ii) the MOE (2009) School Sector Reform Program Program Document dated March 31, 2009.
24. “Vulnerable Community Development Framework” or “VCDF” means the Vulnerable Community Development Framework for the SSR Program dated July 2009 and approved by the Association, setting out, *inter alia*, policies, strategies and actions designed to maximize the benefits accruing to vulnerable people under the SSR Program (including the Project and Subprojects), as the same may be amended from time to time with the agreement of the Association.

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.”