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CONFORMED COPY

GRANT NUMBER H268 -NEP

Financing Agreement

(Avian Influenza Control Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 9, 2007

GRANT NUMBER H268-NEP

FINANCING AGREEMENT

AGREEMENT, dated March 9, 2007, between NEPAL (“Recipient”) and the 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 grant in an amount equivalent to twelve million one hundred thousand Special Drawing Rights (SDR 12,100,000) (“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 March 15 and September 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, which is part of the Association’s Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response. To this end, the Recipient shall carry out: (i) Parts 1, 3.A. and 4.A of the Project through DOLS; (ii) Parts 2, 3.B and 4.B of the Project through DOHS; and (iii) Part 3.C of the Project through

DOLS and DOHS jointly; all in accordance with the provisions of Article IV of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

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

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile:

(977-1) 4259-891

- 5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (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 / Kenichi Ohashi

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to minimize the threat in Nepal posed to humans by HPAI infection by controlling such infections among birds, especially domestic poultry, and (b) to prepare for, control, and respond to possible human infections, especially an influenza epidemic and related emergencies.

The Project consists of the following parts:

Part 1: Animal Health

- A. Implementation of national prevention and control strategies, including activities for: (i) enhancing avian influenza prevention and preparedness capability; (ii) strengthening veterinary services, disease surveillance, and diagnostic capacity; and (iii) strengthening avian influenza control programs and outbreak containment plans, and improving bio-security in poultry production and trade.
- B. Establishment and operation of a Compensation Fund for the provision of cash compensation to poultry owners for loss of assets caused by mandatory culling of their birds by order of the Recipient.

Part 2: Human Health

Activities aimed at preventing human illness due to HPAI, and in case said illness cannot be prevented, reducing its impact through: (i) year-round surveillance; (ii) building laboratory capacity to enable effective and accurate methods of diagnosis and case detection as part of the overall public health system response; (iii) prevention and containment activities including social distancing interventions and the use of vaccines where appropriate; and (iv) curative interventions, including case management and antiviral drugs, in the event that human infections occur.

Part 3: Communications

- A. Information and communication activities related to Part 1 of the Project aimed at safeguarding human health and improving public awareness and information on avian influenza issues, including: (i) increasing the attention and commitment of the Recipient's government, the private sector and civil society organizations to improve bio-security of poultry farming and reduce the risk of importation of the virus; (ii) raising awareness and understanding among the general population about the risk and potential impact of avian influenza, methods of self-protection against infection and sources of treatment; and (iii) increasing the knowledge and capacity of poultry owners on ways of recognizing the signs and symptoms of

avian influenza, safe methods of disposing infected birds and steps to protect themselves and their families.

- B. Information and communication activities related to Part 2 of the Project aimed at safeguarding human health and improving public awareness and information on avian influenza and possible pandemic and other epidemics, including:
 - (i) increasing the attention and commitment of the Recipient's government, the private sector and civil society organizations to ensure rapid implementation of a coordinated, transparent and proactive public information strategy; and
 - (ii) raising awareness and understanding among the general population about the risk and potential impact of a pandemic, methods of self-protection against infection and sources of treatment.

- C. Cross-cutting activities such as macro-level inter-sectoral advocacy and coordination, and the conceptualization and development of communication campaigns and the development of communication training package.

Part 4: Project Management

Support to DOLS, DOHS, and other public agencies for the coordination and management of the Project, and their capacity-building, including financial management, procurement, monitoring and evaluation of Project activities and compliance with applicable environmental management frameworks.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Operational Plan; Standard Operating Procedures for the Compensation Fund

1. The Recipient shall: (i) implement the Project in accordance with the provisions of the Operational Plan; and (ii) not take any action which would prevent or interfere with such implementation.
2. The Recipient shall: (i) implement Part 1.B of the Project in accordance with the provisions of the Standard Operating Procedures for the Compensation Fund; and (ii) not take any action which would prevent or interfere with such implementation.

B. Technical Sub-Committee on Avian Influenza; DOLS Core Coordination Team; DOHS Core Coordination Team

1. The Recipient shall maintain the Technical Sub-Committee on Avian Influenza with functions and composition satisfactory to the Association, including without limitation, representatives of MOHP and MOAC.
2. The Recipient shall maintain the DOLS Core Coordination Team with an adequate number of key full-time professionals with skills, qualifications, experience and terms of reference satisfactory to the Association, including without limitation: (i) Project Coordinator; (ii) Deputy Coordinator; (iii) Accounts Officer; (iv) Procurement Specialist; and (v) Communications Specialist.
3. The Recipient shall maintain the DOHS Core Coordination Team with an adequate number of key full-time professionals with skills, qualifications, experience and terms of reference satisfactory to the Association, including without limitation: (i) Project Coordinator; (ii) Deputy Coordinator; (iii) Accounts Officer; (iv) Procurement Specialist; and (v) Communications Specialist.

C. Arrangements with MOHA and MOLD

1. The Recipient shall ensure that activities relating to disaster response under the Project are implemented by MOHA under arrangements between DOLS/MOAC and MOHA, satisfactory to the Association.

2. The Recipient shall ensure that activities relating to disaster preparedness under the Project are implemented by MOLD under arrangements between DOLS/MOAC and MOLD, satisfactory to the Association.
3. The Recipient shall, in a manner satisfactory to the Association; (i) provide sufficient budgetary allocations from its own resources for the adequate maintenance, supplies, and other recurrent costs for the satisfactory operation of the BSL-3 laboratories beyond the life of the project as long as necessary; (ii) ensure the recruitment, appointment, or assignment of adequate number of trained personnel to operate the two laboratories at BSL-3 level as long as necessary; and (iii) take all necessary actions to obtain and maintain the necessary BSL-3 certification from appropriate organizations.

D. Environmental Management Plan; Land Acquisition/Resettlement

1. The Recipient shall ensure that in carrying out the Project: (i) the assessment, mitigation, management, monitoring and evaluation measures and all other actions set forth in the Environmental Management Plan are implemented in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein; and (ii) no action is taken which would prevent or interfere with such implementation.
2. The Recipient shall ensure that no civil works which may result in land acquisition or resettlement of people are undertaken under the Project.

E. Mid-Term Review

1. Without prejudice to the provisions of Section 4.08 of the General Conditions, the Recipient shall:
 - (a) on or about March 2009, carry out jointly with the Association the Mid-Term Review, which shall cover, *inter alia*:
 - (i) progress made in meeting the Project's objectives;
 - (ii) overall Project performance against Project performance indicators and;
 - (iii) review of Project objectives, design and content.
 - (b) at least four (4) weeks prior to the Mid-Term Review, prepare and furnish to the Association a separate report describing the status of implementation of each part of the Project and a summary report of Project implementation generally; and

- (c) not later than two (2) weeks after the Mid-Term Review, prepare and furnish to the Association an action program, satisfactory to the Association, for further implementation of the Project having regard to the findings of the Mid-Term Review and thereafter implement such action program.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of a Fiscal Year trimester (four months), and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each Fiscal Year trimester, interim un-audited financial reports for the Project covering the Fiscal Year trimester, in form and substance satisfactory to the Association.
- 3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one 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, following the Recipient's financial acts and regulations acceptable to the Association, and subject to the following additional procedures:
 - (i) bid opening at only one place and immediately after the deadline of bid submission shall be mandatory;
 - (ii) local institutions where the Recipient has fifty percent (50%) or more of the capital shall not be exempt from submission of bid and performance securities;
 - (iii) local bidders shall not be eligible for any preference when competing with foreign bidders;
 - (iv) bidders' qualification criteria shall be formulated in accordance with the Bank's Standard Bidding Documents; and
 - (v) there shall be no restrictions for foreign bidders to participate in National Competitive Bidding procedures.
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) Procedures set forth in paragraphs 3.9 and 3.10 of the Procurement Guidelines under Other Methods of Procurement

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.
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 3.15 and 3.17 of the Consultant Guidelines under Other Methods of Selection
(g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(h) 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 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
(1) Civil works, goods, consultants’ services, training, workshops, study tours and Incremental Operating Costs under Parts 1.A, 3.A, 3.C, and 4.A of the Project (DOLS)	5,480,000	100%
(2) Civil works, goods, consultants’ services, training, workshops, study tours and Incremental Operating Costs under Parts 2, 3.B and 4.B of the Project (DOHS)	4,980,000	100%
(3) Cash payments made from the Compensation Fund under Part 1.B of the Project (DOLS)	60,000	100%
(4) Unallocated	1,580,000	
TOTAL AMOUNT	12,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:
 - (a) payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$1,000,000 equivalent may be made for payments made prior to this date but on or after July 17, 2006 for Eligible Expenditures under Categories (1) and (2); and
 - (b) payments for expenditures under Category (3) unless and until: (i) the Compensation Fund has been established in a manner satisfactory to the Association; and (ii) the Standard Operating Procedures for the Compensation Fund satisfactory to the Association have been prepared and adopted by the Recipient.
2. The Closing Date is July 31, 2011.

APPENDIX

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Compensation Fund” means the fund to be established by the Recipient and to be utilized to pay cash compensation to poultry owners for poultry culled and loss of other assets caused by such culling.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
4. “DOHS” means the Department of Health Services under MOHP, or any successor thereto.
5. “DOHS Core Coordination Team” means the team to be maintained within DOHS pursuant to Part B.3 of Section I of Schedule 2 to this Agreement for the purposes of, *inter alia*, planning, implementing and monitoring activities to be carried out under Parts 2, 3.B, 3.C and 4.B of the Project.
6. “DOLS” means the Department of Livestock Services under MOAC, or any successor thereto.
7. “DOLS Core Coordination Team” means the team to be maintained within DOLS pursuant to Part B.2 of Section I of Schedule 2 to this Agreement for the purposes of, *inter alia*, planning, implementing and monitoring activities to be carried out under Parts 1, 3.A, 3.C and 4.A of the Project.
8. “Environmental Management Plan” or “EMP” means, collectively: (i) the Environmental Management Plan dated June 26, 2006 and approved by the Association, which shall be used for the implementation of Part 1 of the Project; and (ii) the Health Care Waste Management Plan prepared for the Health Sector Program described in the Development Financing Agreement for the Health Sector Program between the Recipient and the Association dated November 29, 2004 (Credit Number 3980-NEP; Grant Number H125-NEP), which shall be used for the implementation of Part 2 of the Project; in each case setting out, *inter alia*, environmental mitigation, management, monitoring and evaluation measures for the respective Parts of the Project, 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. Each FY consists of three (3) four-month periods each of which is called a “fiscal year trimester”.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants” dated July 1, 2005.
11. “HPAI” means highly pathogenic avian influenza.
12. “Incremental Operating Costs” means: (i) expenditures incurred by DOLS or DOHS for the operation and maintenance of facilities, equipment and vehicles used for Project implementation, including, without limitation, office rental, vehicle rental, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationeries and other office supplies, and costs of translation, printing, photocopying and advertising; (ii) transportation costs and subsistence allowances for DOLS or DOHS staff in travel status for Project implementation; and (iii) salaries and allowances of incremental staff assigned to DOLS or DOHS for Project implementation but excluding salaries of the Recipient’s civil servants.
13. “Mid-Term Review” means the review of the progress made in carrying out the Project referred to in Part E of Section I of Schedule 2 to this Agreement.
14. “MOAC” means the Recipient’s Ministry of Agriculture and Cooperatives, or any successor thereto.
15. “MOHA” means the Recipient’s Ministry of Home Affairs, or any successor thereto.
16. “MOHP” means the Recipient’s Ministry of Health and Population, or any successor thereto.
17. “MOLD” means the Recipient’s Ministry of Local Development, or any successor thereto.
18. “Operational Plan” means the Operational Plan for the Project dated December 2006 and approved by the Recipient and the Association, setting out, *inter alia*, details of all procedures, guidelines, timetables and criteria required for the carrying out of the Project, including the procurement, financial, administrative, operational, and monitoring, evaluation and reporting arrangements, as the same may be amended from time to time with the agreement of the Association.
19. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.

20. “Procurement Plan” means the Recipient’s procurement plan for the Project, satisfactory to the Association, dated December 2006 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.
21. “Standard Operating Procedures for the Compensation Fund” means the guidelines to be prepared by the Recipient pursuant to Part B.1 of Section IV of Schedule 2 to this Agreement, setting forth principles and procedures for operating the Compensation Fund.
22. “Technical Sub-Committee on Avian Influenza” means the relevant Technical Sub-Committee established by the Council of Ministers of the Recipient and functioning under the Central Natural Disaster Relief Committee, to be maintained pursuant to Part B.1 of Section I of Schedule 2 to this Agreement for the purposes of, *inter alia*, overseeing and monitoring overall Project implementation, facilitating coordination among governmental agencies, institutions and other stakeholders, and making key policy decisions.