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CREDIT NUMBER 4750-NP  
GRANT NUMBER H579-NP

# Financing Agreement

(Additional Financing for Social Safety Nets Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 18, 2010

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**CREDIT NUMBER 4750-NP**  
**GRANT NUMBER H579-NP**

## **FINANCING AGREEMENT**

AGREEMENT, dated August 18, 2010, entered into between NEPAL (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

### **ARTICLE I - GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions, in the Appendix to this Agreement, or in the Original Financing Agreement (as defined in the Appendix to this Agreement).

### **ARTICLE II - FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a 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 fifteen million three hundred and forty five thousand Special Drawing Rights (SDR 15,345,000) (“Credit”); and
  - (b) an amount equivalent to sixteen million one hundred and twenty thousand Special Drawing Rights (SDR 16,120,000) (“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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 January 15 and July 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: (i) Part 1(a) of the Project through MOLD and in partnership with WFP; (ii) Part 1(b) of the Project through MOLD in partnership with the Poverty Alleviation Fund; and 1(c) of the Project through MOLD; (iii) Part 2 of the Project through MOAC; and (iv) Part 3 of the Project through MOLD and MOAC; 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 – REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
  - (a) The Recipient or WFP shall have failed to perform any of its obligations under the Subsidiary Grant Agreement.
  - (b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Recipient or WFP will be able to perform its obligations under the Subsidiary Grant Agreement.
  - (c) The Recipient or WFP shall have amended, suspended, abrogated, repealed, waived or failed to enforce any of the provisions of the Subsidiary Grant Agreement so as to materially and adversely affect the carrying out of the activities under Part 1(a) of the Project.
- 4.02. The Additional Event of Acceleration consists of the following: that any event specified in paragraph (a) or (c) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

**ARTICLE V – EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Grant Agreement, in form and substance acceptable to the Association, has been executed and delivered on behalf of the Recipient and WFP.
- 5.02. The Additional Legal Matter consists of the following: that the Subsidiary Grant Agreement has been duly authorized by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. 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 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 improve access to nutritious food for highly food insecure households in the short term, and to create opportunities for improved agriculture production in Food Insecure Districts.

The Project consists of the following parts:

#### Part 1: Improving Access to Nutritious Food for Vulnerable Populations

(a) Public Works Program

(i) Improving access of vulnerable households to food and micronutrient supplements and improving agriculture production in Food Insecure Districts through the public works program to be implemented in partnership with WFP including, *inter alia*, construction and/or repairs of fish ponds, dry-season community link roads and foot/mule trails, micro-irrigation, drinking water schemes, small rural market sheds/centers, community/village buildings and similar works, and support of small-scale enterprise projects such as cultivation of medicinal and aromatic plants and high value cash crops, together with necessary training and technical assistance.

(ii) Carrying out a program of compensation, resettlement and rehabilitation of Displaced Persons under Part 1(a)(i) of the Project.

(b) Community Challenge Fund

Piloting of the Community Challenge Fund, through the provision of Performance Grants to Beneficiaries, for the purpose of improving maternal and young child nutrition.

(c) Safety Net Systems

Strengthening the Recipient's safety net systems, including, *inter alii*:

(i) reviewing the implementation of MOLD's public works program, including the public works program under Part 1(a) of the Project and implementing the recommendations from such review;

(ii) establishing a management information system for MOLD to record its social protection programs;

- (iii) developing a grievance redress mechanism to be used under MOLD's social protection programs; and
- (iv) developing a beneficiary registry database and a benefit payment system for MOLD's special protection programs.

Part 2: Support for Seed and Fertilizer

- (a) Activities aimed at improving the provision of good quality seeds in remote areas and the availability of genetically pure breeder and foundation seed, including: (i) provision of support to NARC for making genetically pure seeds available to commercial seed producers for further multiplication and supply to farmers; (ii) provision of assistance to NARC in developing a sustainable breeder and foundation seed production system; and (iii) identification and support of critical needs of other players in the chain (e.g., producers of commercial seeds and suppliers), public awareness and on farm demonstrations to increase demand for the quality seeds.
- (b) Activities aimed at improving the use of fertilizer by farmers in remote areas, including: (i) provision of transport subsidy payments for fertilizer and seeds; (ii) data collection, monitoring and targeting activities to ensure small farmers are getting the subsidized fertilizer and (iii) design of a voucher scheme for poor farmers and farmer sensitization on the proper use of fertilizers.
- (c) Provision of technical assistance to MOAC to support the review and analysis of food and nutrition programs sponsored by MOAC, including identifying options to improve livestock services and developing a national food security and nutrition plan.

Part 3: Project Coordination and Monitoring and Evaluation

Activities aimed at improving Project coordination, monitoring and evaluation, including: (i) independent monitoring and beneficiary assessments to evaluate the impacts of the activities under the Project; and (ii) strengthening of cross sector coordination by the Project Steering Committee and NPC.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Subsidiary Grant Agreement**

1. To facilitate the carrying out of certain activities under Part 1(a) of the Project by WFP, the Recipient shall make part of the proceeds of the Financing available to WFP under a subsidiary grant agreement between the Recipient and WFP, with terms and conditions satisfactory to the Association.
2. The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any of its provisions.

**B. Project Steering Committee**

The provisions of Paragraph B of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

**C. Project Implementation Team**

The provisions of Paragraphs C.1 and C.2 of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

**D. Project Implementation Manual**

The provisions of Paragraph D of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

**E. Public Works Programs under Part 1(a) of the Project**

The provisions of Paragraph E of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.



**F. Performance Grants to Beneficiaries under Part 1(b) of the Project**

1. The Recipient shall ensure that each Performance Grant is provided to a Beneficiary: (a) in accordance with institutional and implementation arrangements satisfactory to the Association for the administration of Performance Grants under the Community Challenge Fund; (b) in accordance with the eligibility and selection criteria, disbursement, financial management, monitoring and other relevant provisions set forth in the Guidelines for Community Challenge Fund; and (c) pursuant to a Performance Grant Agreement to be entered into between the Recipient through the Poverty Alleviation Fund and such Beneficiary containing terms and conditions satisfactory to the Association, which shall include, *inter alia*, the following:
  - (i) The Beneficiary shall carry out the activities under Part 1.(b) of the Project in accordance with the Guidelines for Community Challenge Fund, the Governance and Accountability Plan, and the Anti-corruption Guidelines.
  - (ii) The Beneficiary shall procure the goods and services to be financed out of the proceeds of the Performance Grant in accordance with the provisions of Section III of Schedule 2 to this Agreement.
  - (iii) The Beneficiary shall maintain relevant records and documents and enable the Recipient and the Association to inspect such records and documents upon request of the Recipient and the Association.
  - (iv) A Performance Grant shall be made available to a Beneficiary only after the Beneficiary has achieved certain nutritional and health improvement outcomes as set out in the Guidelines for the Community Challenge Fund, and such outcomes have been verified by an independent third party acceptable to the Association.
2. The Recipient through the Poverty alleviation Fund shall exercise its rights in relation to each such Performance Grant provided to a Beneficiary under a Performance 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 through the Poverty Alleviation Fund shall not assign, amend, abrogate or waive any Performance Grant Agreement or any of its provisions.

**G. Environmental and Social Management Frameworks**

The Recipient shall implement the Project in accordance with the provisions of Environmental and Social Management Frameworks in a manner satisfactory to the Association.

**H. Anti-Corruption Guidelines**

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

**I. Annual Work Program and Budget**

The provisions of Paragraphs I.1 and I.2 of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

**J. 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.

**K. Performance Audits**

The Recipient shall, through its Office of the Auditor General, carry out a performance audit for the Project, not later than June 30, 2011, and shall thereafter carry out, on a bi-annual basis, additional performance audits of the Project, with each such audit to fall due by not later than June of the year in which such an audit shall be required.

**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 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 (1) Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement****A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **National Competitive Bidding.** Except as otherwise provided in paragraph 3 below, goods and works estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with the provisions of the Public Procurement Act (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. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Shopping
(b) Direct Contracting
(c) Community Participation procedures acceptable to the Association
(d) Performance-based 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 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.

<b>Procurement Method</b>
(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.

3.

<b><u>Category</u></b>	<b><u>Amount of the Credit Allocated (Expressed in SDR)</u></b>	<b><u>Amount of the Grant Allocated (Expressed in SDR)</u></b>	<b><u>Percentage of Expenditures to be Financed (Inclusive of Taxes)</u></b>
(1) Goods, works and services under Part 1(a) of the Project	7,880,000	16,120,000	100%
(2) Goods and services under Part 2 of the Project	3,620,000	-	100%
(3) Goods and services under Parts 1(c) and 3 of the Project and Incremental Operating Costs under Part 3 of the Project	2,195,000	-	100%

<b><u>Category</u></b>	<b><u>Amount of the Credit Allocated (Expressed in SDR)</u></b>	<b><u>Amount of the Grant Allocated (Expressed in SDR)</u></b>	<b><u>Percentage of Expenditures to be Financed (Inclusive of Taxes)</u></b>
(4) Performance Grants under Part 1(b) of the Project	1,650,000	-	100% of amounts disbursed
<b>TOTAL AMOUNT</b>	<b>15,345,000</b>	<b>16,120,000</b>	

**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 6,300,000 from the proceeds of Grant may be made for payments made prior to this date but on or after April 1, 2010, for Eligible Expenditures under Category (1); and
  - (b) for payments under Category (4), unless: (i) the Recipient has put in place institutional and implementation arrangements, satisfactory to the Association, for the administration of Performance Grants under the Community Challenge Fund; (ii) the Recipient has prepared the Guidelines for Community Challenge Fund in form and substance satisfactory to the Association; and (iii) an implementation agreement, acceptable in substance to the Association, has been entered into between the Recipient, through MOLD, and the Poverty Alleviation Fund setting out the roles and responsibilities of each party thereto in relation to the carrying out of Part 1(b) of the Project.
2. The Closing Date is September 30, 2013.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each January 15 and July 15:	
commencing July 15, 2020 to and including January 15, 2030	1%
commencing July 15, 2030 to and including January 15, 2050	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.



**APPENDIX****Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” dated October 15, 2006.
2. “Beneficiary” means a CBO (as defined hereinafter), NGO (as defined hereinafter), women’s group, community group, or any other entity eligible to receive a Performance Grant (as defined hereinafter).
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CBO” means a community-based organization.
5. “Community Challenge Fund” means the Recipient’s program whose objective is to provide Performance Grants (as defined hereinafter) to CBOs and other community groups for the purpose of inducing changes in behavior that shall lead to improved maternal and young child nutrition, all in accordance with the Guidelines for Community Challenge Fund (as defined hereinafter).
6. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the 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 such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
7. “DOA” means the Recipient’s Department of Agriculture within MOAC (as defined hereinafter), or any successor thereto.
8. “Environmental and Social Management Frameworks” mean, collectively: (a) the Social and Environmental Management Framework prepared for the Irrigation and Water Resources Management Project and described in the Financing Agreement between the Recipient and the Association dated January 31, 2008, for such project (Grant Number H338-NEP), which shall also be used for purposes of the Project, as the same may be amended from time to time with the agreement of the Association; (b) the Environmental and Social Management Framework prepared for the Rural Access Improvement and Decentralization Project and described in the Development Grant Agreement between the Recipient and the Association dated August 1, 2005 for such project (Grant

Number H171-NEP), which shall also be used for purposes of the Project; and (c) updates to both frameworks to be prepared by the Recipient to include additional provisions specific to the implementation of the Project, as the same may be amended from time to time with the agreement of the Association.

9. “Food Insecure Districts” means the districts identified in the Project Implementation Manual as those in which the Project shall be carried out.
10. “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.
11. “Governance and Accountability Action Plan” means the Recipient’s Governance and Accountability Action Plan dated April 2010, and approved by the Association, setting out, *inter alia*, policies and procedures for addressing and mitigating fiduciary risks under the Project, as the same may be amended from time to time with the agreement of the Association.
12. “Guidelines for Community Challenge Fund” means the guidelines to be prepared by the Recipient, and referred to in Section IV.B.1 (b) (ii) of Schedule 2 to this Agreement, setting out, *inter alia*, principles, criteria and procedures for implementing Part 1(b) of the Project and for administering Performance Grants, as the same may be amended from time to time with the prior agreement of the Association.
13. “Incremental Operating Costs” means: (i) expenditures incurred by MOLD and DOA in implementation of the Project 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 staff of any such agency or entity in travel status for Project implementation; and (iii) salaries and allowances of incremental staff assigned to any such agency or entity for Project implementation but excluding salaries of the Recipient’s civil servants.
14. “MOAC” means the Recipient’s Ministry of Agriculture and Cooperatives, or any successor thereto.
15. “MOLD” means the Recipient’s Ministry of Local Development, or any successor thereto.

16. “NARC” means the Recipient’s Nepal Agricultural Research Council, established pursuant to the Recipient’s Nepal Agricultural Research Council Act (1991), or any successor thereto.
17. “NGO” means a non-governmental organization.
18. “NPC” means the Recipient’s National Planning Commission, or any successor thereto.
19. “Original Financing Agreement” means the financing agreement for the Social Safety Nets Project between the Recipient and the Association, dated November 2, 2008, as amended to the date of this Agreement (Credit No. 4510-NP; Grant No. H424-NP).
20. “Original Project” means the Project described in the Original Financing Agreement.
21. “Performance Grant” means a grant to be provided by the Recipient out of the proceeds of the Financing to a Beneficiary pursuant to the Guidelines for Community Challenge Fund and the relevant provisions of this Agreement.
22. “Performance Grant Agreement” means an agreement to be entered into between the Recipient, through the Poverty Alleviation Fund, and a Beneficiary pursuant to paragraph F.1 of Section I of Schedule 2 to this Agreement.
23. “Poverty Alleviation Fund” means the Fund established and operating under the Recipients’ Poverty Alleviation Fund Act 2063(2007), as the same may be amended from time to time.
24. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 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.
25. “Project Steering Committee” means the committee established, and to be maintained, pursuant to the provisions of Paragraph B of Section I of Schedule 2 to the Original Financing Agreement.
26. “Public Procurement Act” means the Recipient’s Public Procurement Act, 2063 (2007).
27. “Subsidiary Grant Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make a part of the proceeds of the Financing available to WFP.

28. “WFP” means the United Nations World Food Programme.

## **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.”