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DOCUMENTS

January 9, 2017

Dr. Shanta Raj Subedi
Secretary
Ministry of Finance
Government of Nepal
Singh Durbar, Kathmandu

Dear Dr. Subedi:

***Re: FCPF Readiness Fund Grant No. TF0A4169, Third Grant Agreement for
Nepal REDD+ Readiness Preparation Support***

I wish to refer to the Grant Agreement between Nepal (“Recipient”) and the International Bank for Reconstruction and Development (“World Bank”), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility (“FCPF”), dated August 26, 2009 (“Readiness Grant Agreement” or “First Grant Agreement”), pursuant to which the World Bank agreed to provide to the Recipient a grant in an amount of two hundred thousand Dollars (US\$ 200,000). Further, the Recipient and the World Bank entered into a Supplementary Agreement, in the amount of three million four hundred thousand Dollars (US\$3,400,000), dated March 31, 2011 (“Second Grant Agreement”), to enable the Recipient to move ahead with preparation for readiness.

The Participants Committee of the FCPF (“PC”) has reviewed the request for an additional funding submitted by the Recipient, in accordance with the process as specified in Resolution PC/12/2012/2. Through its Resolution PC/20/2015/3, the PC decided to allocate additional grant funding to the Recipient in the amount of up to five million Dollars (US\$5,000,000), to enable it to continue with its preparation for readiness, subject to the terms and conditions set out in said Resolution. Further, the PC approved, through its Resolution PC/Electronic/2012/1, the allocation of additional funds of up to two hundred thousand Dollars (US\$200,000) (together with the US\$5,000,000, the “Additional Grant”), for the purpose of strengthening the Recipient’s national feedback and grievance redress mechanism, subject to the terms and conditions set out in said Resolution.

In response to the request for financial assistance made by the Recipient and the decisions of the PC referred above, I am pleased to inform you that the World Bank agrees to extend the Additional Grant in the amount of five million two hundred thousand Dollars (US\$5,200,000) on the terms and conditions set forth or referred to in this letter agreement (“Agreement” or “Third Grant Agreement”), which includes the attached Annex, to assist in the financing of the Additional Readiness Preparation Activities described in the Annex.

This Additional Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Third Grant Agreement), the World Bank’s payment obligations in connection with this Third Grant Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Additional Grant proceeds is subject to the availability of such funds.

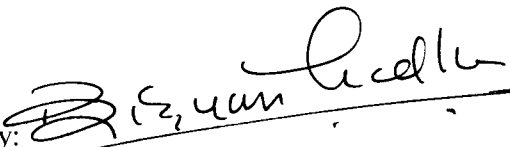
The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Third Grant Agreement and to carry out the Additional Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Third Grant Agreement.

Since the execution of the Readiness Grant Agreement, the Charter Establishing the FCPF ("Charter") has been amended, and the terms and conditions of this Third Grant Agreement are based on the Charter, as so amended. Where there are inconsistencies between the Readiness Grant Agreement and this Third Grant Agreement including in the use of terms, the provisions in this Third Grant Agreement shall prevail and deemed to have accordingly amended the provisions of the Readiness Grant Agreement to eliminate any such inconsistency.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Third Grant Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Third Grant Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility)

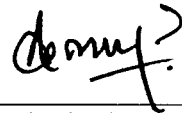
By: 
Authorized Representative

Name: BIGYAN PRADHAN

Title: Acting Country Manager

AGREED:

NEPAL

By: 
Authorized Representative

Name: Baikuntha Aryal

Title: Joint Secretary

Date: 20 January 2017

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Charter Establishing the Forest Carbon Partnership Facility, dated November 23, 2015.
- (3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
- (4) Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011.
- (5) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011, and revised in July 2014.
- (6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011, and revised in July 2014.

FCPF Readiness Fund Grant No. TF0A4169

ANNEX

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”), with the modifications set forth in the Appendix 1 to this Agreement, constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Charter, or in this Agreement; and the following additional terms shall have the following meanings:

- (a) “Apex Body” means the inter-ministerial governing body chaired by the Minister of the Ministry of Forest and Soil Conservation, comprising of representatives from the National Planning Commission, Ministry of Finance, Ministry of Environment, Ministry of Tourism and Civil Aviation, Ministry of Energy, Ministry of Agriculture and Cooperative, Ministry of Land Reform and Management, Ministry of Industries, Ministry of Local Development, the Ministry of Physical Planning and Works, and the Ministry of Science and Technology.
- (b) “ER Program” means the emission reductions program covering the twelve (12) districts of Terai Arc Landscape under preparation by the Recipient for the FCPF Carbon Fund.
- (c) “ER Program Area” means the program area covering the 12 districts of Terai Arc Landscape consisting of Kachnapur, Kailali, Bardia, Banke, Dang, Kapilbastu, Rupandehi, Nawalparasi, Chitwan, Parsa, Bara, and Rautahat.
- (d) “ESMF” means the environmental and social management framework acceptable to the World Bank, which: (i) establishes the modalities and procedures to address potential negative environmental and social impacts from the implementation of REDD+ investments and demonstration activities as well as associated mitigation measures through employing best practices; (ii) includes the screening criteria, procedures and institutional responsibilities for the safeguard policies that are triggered for subsequent REDD+ investments; (iii) and includes a Resettlement Policy Framework, a Process Framework, and the Indigenous Peoples Planning Framework, as determined by the outcome of the SESA process.
- (e) “FGRM” means feedback, grievance and redress mechanisms, as referred to in Section 2.01 of this Annex.
- (f) “Incremental Operating Costs” means the operating costs incurred on account of the implementation of the Readiness Preparation Activities including office supplies and consumables, utilities, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Readiness Preparation Activities, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

- (g) “Indigenous Peoples Planning Framework” means the ethnic minority framework acceptable to the World Bank, as part of the readiness process, which establishes the modalities and procedures to address potential negative impacts on an ethnic minority population resulting from the implementation of REDD+ investments and demonstration activities.
- (h) “Ministry of Agriculture and Cooperative” means the Recipient’s Ministry of Agriculture and Cooperative or any successor thereto.
- (i) “Ministry of Energy” means the Recipient’s Ministry of Energy or any successor thereto.
- (j) “Ministry of Environment” means the Recipient’s Ministry of Environment or any successor thereto.
- (k) “Ministry of Forests and Soil Conservation” means the Recipient’s Ministry of Forests and Soil Conservation or any successor thereto.
- (l) “Ministry of Industry” means the Recipient’s Ministry of Industry or any successor thereto.
- (m) “Ministry of Land Reform and Management” means the Recipient’s Ministry of Land Reform and Management or any successor thereto.
- (n) “Ministry of Local Development” means the Recipient’s Ministry of Local Development or any successor thereto.
- (o) “Ministry of Physical Planning and Works” means the Recipient’s Ministry of Physical Planning and Works or any successor thereto.
- (p) “Ministry of Science and Technology” means the Recipient’s Ministry of Science and Technology or any successor thereto.
- (q) “Ministry of Tourism and Civil Aviation” means the Recipient’s Ministry of Tourism and Civil Aviation or any successor thereto.
- (r) “National Planning Commission” means the Recipient’s National Planning Commission or any successor thereto.
- (s) “Process Framework” means the process framework acceptable to the World Bank, to be prepared by the Recipient as part of the readiness process, which establishes the modalities and procedures to address restrictions of access to legally designated parks and protected areas resulting from the implementation of REDD+ investments and demonstration activities.
- (t) “REDD” and “REDD+” means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.
- (u) “REDD IC” means the REDD Implementation Centre established under the Ministry of Forest and Soil Conservation, or any successor thereto.

- (v) “Resettlement Policy Framework” or the acronym “RFP” mean the resettlement policy framework acceptable to the World Bank, to be prepared by the Recipient through MoFSC as part of the readiness process, which establishes the modalities and procedures to address potential land acquisition and resettlement from the implementation of REDD+ investments and demonstration activities.
- (w) “Strategic Environmental and Social Assessment” or the acronym “SESA” mean the strategic environment and social assessment to be conducted as part of the readiness process to assess the potential impact from national REDD+ programs and policies, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework.
- (x) “Training and Workshops” means the costs associated with training and workshop participation of personnel involved in the implementation of the Readiness Preparation Activities including travel and subsistence costs for training and workshop of participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.

Article II

Execution of the Additional Readiness Preparation Activities

2.01. ***Additional Readiness Preparation Activities Objectives and Description.*** The objective of the Additional Readiness Preparation Support is to prepare the Recipient to engage in and benefit from the emerging performance-based system for Reducing Emissions from Deforestation and Forest Degradation (REDD+) within the context of the international climate negotiations of the UN Framework Convention on Climate Change.

The Additional Readiness Preparation Activities consists of the following parts:

Part 1: Readiness Coordination and Consultation

- (a) Provision of technical assistance in institutionalizing the findings of readiness studies, and operationalization of FGRM in the 12 ER Program districts.
- (b) Capacity building activities and training for relevant stakeholders including indigenous people organizations, community-based organizations, forest user groups, and government officials on FCPF supported REDD+ activities.
- (c) Publication of readiness studies and findings

Part 2: National REDD+ Strategy Preparation

- (a) Conducting various studies on: (i) timber market and supply chain, and including recommendations to revise royalty rate based on local and internal market conditions; (ii) private sector engagement in REDD+ and ER Program; and (iii) promoting forest-based livelihood and enterprises.

- (b) Revision of existing district forest management plans and preparation of operational plans for 12 ER Program districts.
- (c) Developing guidelines on silvicultural practices for sustainable forest management and program for enhancing nature based tourism and community resilience.
- (d) Consultation for ERP in Terai Arc Landscape.
- (e) Developing REDD fund flow mechanisms and its operationalization, preparing cost and benefit sharing plan, and developing and institutionalizing carbon registry mechanism.
- (f) Integration of safeguards information and safeguard monitoring plan into the national database and information system.

Part 3. Reference Scenario Formulation and National Forest Monitoring

- (a) Update national reference emission levels with information from forest result assessment.
- (b) Developing allometric equations of sixteen (16) major fuelwood and timber species.
- (c) Provision of training activities for government staff and relevant stakeholders on reference levels, monitoring reporting and evaluation, and other aspects of REDD+.
- (d) Expansion of national forest database and national forest information system.
- (e) Evaluation of existing information and developing scientifically acceptable methodology for biomass estimation.

Part 4. Project Management

- (a) Provision of support for procurement, financial management, environmental and social safeguards, communication and monitoring and evaluation of the Additional Readiness Preparation activities.

2.02 Additional Readiness Preparation Activities Generally. The Recipient declares its commitment to the objectives of the Additional Readiness Preparation Activities. To this end, the Recipient shall carry out the Additional Readiness Preparation Activities through its Ministry of Forest and Soil Conservation in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03 Institutional and Other Arrangements. Without limitation upon the provisions of Section 2.02 above, the Recipient shall maintain, throughout the implementation of the Additional Readiness Preparation Activities:

(a) its REDD IC, with functions composition and organization satisfactory to the World Bank, supported by qualified experienced staff in adequate numbers to be responsible for the overall financial management of the Additional Readiness Preparation Activities;

(b) its Apex Body for the purpose of ensuring multi-sectoral coordination and cooperation for planning and implementation of REDD+ activities at the highest level;

(c) the REDD Working Group under the leadership of the Minister of the Ministry of Forest and Soil Conservation, comprising of representatives from the government, indigenous peoples group, community forest user groups, private sector, and development partners, responsible for ensuring institutional representation of different forestry stakeholders to the REDD, providing technical and institutional support to REDD IC; and

(d) the REDD+ multi stakeholder platform with representations from a wide array of organizations and interests including government, academia, international and not-for-profit organizations, private sector, bilateral and multi-lateral development parts and community-based organizations which functions as an outreach and communication platform for the REDD IC and advocates for the interests of civil society and indigenous peoples.

2.04. *Safeguards.*

(a) The Recipient shall ensure that all: (i) terms of reference for any technical assistance or studies carried out under the Additional Readiness Preparation Activities; (ii) safeguard instruments prepared, finalized, adopted, or updated under the Additional Readiness Preparation Activities, including but not limited to the SESA, ESMF, Process Framework, RFP, Indigenous Peoples Policy Framework and any other safeguard instruments for the ER Program, as necessary, pursuant to Section 2.01 of this Third Grant Agreement are consistent with, and pay due attention to, the World Bank's environmental and social safeguard policies, as well as the Recipient's own laws relating to the environment and social aspects.

(b) The Recipient shall ensure that in drafting laws or regulations under the Additional Readiness Preparation Activities, due attention is given to said policies and laws.

(c) The Recipient shall ensure that the Additional Readiness Preparation Activities do not include the implementation of REDD+ activities on the ground.

2. 05. *Donor Visibility and Visit.*

(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for this Additional Readiness Preparation Activities.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the to visit any part of the Recipient's territory for purposes related to this Additional Readiness Preparation Activities.

2.06. *Documents; Records.*

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Additional Readiness Preparation Activities are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient's financial and narrative progress reports submitted to the World Bank; (iii) the Recipient's financial information related to the Additional Grant, including audit reports, invoices and payroll records; (iv) the Recipient's implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donors.

2.07. Completion Report. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.08. Financial Management.

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Additional Readiness Preparation Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each trimester, covering the trimester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard 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 World Bank not later than six (6) months after the end of such period.

2.09. Procurement.

(a) General. All goods, non-consulting services and consultants' services required for the Additional Readiness Preparation Activities and to be financed out of the proceeds of the Additional Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) ("Procurement Guidelines"), in the case of goods and non-consulting services;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) ("Consultant Guidelines") in the case of consultants' services; and

(iii) The provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Additional Readiness Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding, subject to additional provisions set out in item (iii) below.

(ii) The following methods may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Limited International Bidding; (B) Shopping; (C) Direct Contracting; (D) Force Account; and (E) International Competitive Bidding, subject to the provisions of paragraph 3.13 (a) of the Procurement Guidelines.

(iii) The following additional procedures shall apply to goods and non-consulting services procured on the basis of National Competitive Bidding:

- A. Model bidding documents, including contract conditions agreed with the World Bank (as amended from time to time), shall be used. Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- B. Eligibility to participate in a procurement process for and to be awarded a World Bank-financed contract shall be as defined under Section I of the Procurement Guidelines. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders.
- C. Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. There shall not be any restriction on the modality for delivery of bids. Bids may be withdrawn or modified any time before the deadline for submission of bids. Bids shall be opened in public in one place, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to bidders unopened.
- D. Qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents for all contracts, irrespective of the value, and if a registration process is required, a foreign firm

declared as the lowest evaluated bidder shall be given a reasonable opportunity to register, without let or hindrance.

- E. Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents. Contract shall be awarded to the qualified bidder whose bid has been determined: (a) to be substantially responsive to the bidding documents, and (b) to offer the lowest-evaluated cost.
- F. For contracts subject to the World Bank's prior review, all bids shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the World Bank's prior concurrence. In case of re-bidding, the time for preparation and submission of bids shall be as set forth under provision (iii) of this Annex.
- G. Bids shall be valid as per the period stated in the bidding documents. For contracts subject to prior review, the extension of bid validity shall not be allowed without the prior concurrence of the World Bank: (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.
- H. Bid and performance securities shall be in the format included in the bidding documents. The bid security shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested. Performance security shall be an amount of five (5) to ten (10) percent (%) of the contract price and shall not be increased merely on the basis of comparison of the contract price with the pre-bid cost estimate.
- I. If a contract is terminated because of fundamental breach of contract by the contractor, the amount to be recovered from the contractor representing the employer's additional costs for completing the contract shall be provisioned as agreed with the World Bank in model bidding documents.
- J. At the Recipient's request, the World Bank may agree to the Recipient's use, in whole or in part, of its electronic procurement system, provided the World Bank is satisfied with the adequacy of such system.
- K. With respect to contracts subject to the World Bank's prior review, the Recipient shall obtain the World Bank's no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (d) the proposed

termination of the contract. A copy of all contract amendments shall be provided to the World Bank.

- L. The bidding document and contract as deemed acceptable by the World Bank shall include provisions stating the World Bank's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.
 - M. In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the World Bank financing shall require that bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers to permit the World Bank to inspect all accounts, records and other documents relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the World Bank. Acts intended to materially impede the exercise of the World Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.
- (d) Particular Methods of Procurement of Consultants' Services
- (i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
 - (ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; (G) Selection of Contractors which have been found acceptable to the World Bank; and (H) Single-source procedures for the Selection of Individual Consultants.
- (e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.
- (f) Document Retention. Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix 1 to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix 1 to the Consultant Guidelines, the Recipient: (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven years and six months after the Closing Date set forth in Section 3.03 of this Agreement; (ii) shall furnish such documentation to the World Bank at any time upon request; and (iii) hereby authorizes the World Bank to disclose such documentation to the Donors.

Article III
Withdrawal of Additional Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Additional Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Additional Grant ("Category"), the allocations of the amounts of the Additional Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Additional Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services, Incremental Operating Costs, Training and Workshop	5,200,000	100%
TOTAL AMOUNT	5,200,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2019.

Article IV
Remedies

4.01. The Additional Events of Suspension consist of the following, namely that the World Bank has determined that: (a) at any time before the Closing Date, the Recipient has failed to apply sound environmental or social standards or practices in its management or carrying out of Additional Readiness Preparation Activities; and (b) as a result of such failure, a situation has arisen after the date of this Agreement which makes it improbable that the objective of the Additional Readiness Preparation Activities will be achieved.

Article V
Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Secretary, Ministry of Finance.

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile:

(977-1) 4211-164

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Telex:

Facsimile:

248423 (MCI) or
64145 (MCI)

1-202-477-6391