Mr. Krishna Hari Baskota  
Secretary  
Ministry of Finance  
Singha Durbar  
Kathmandu, Nepal

Dear Mr. Baskota:

Re: Japan Policy and Human Resources Development (PHRD) Technical Assistance Program to Support Disaster Reduction and Recovery - Nepal: Pilot Program for Seismic School Safety in the Kathmandu Valley  
PHRD Grant No.TF011452

In response to the request for financial assistance made on behalf of Nepal ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by Japan ("Donor") under the Japan Policy and Human Resources Development ("PHRD") Technical Assistance Program to Support Disaster Reduction and Recovery, proposes to extend to the Recipient, a grant in an amount not to exceed one million three hundred seventy thousand United States Dollars (US$1,370,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the 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 Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

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 Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.
Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]
Tahseen Sayed
Country Manager for Nepal
South Asia Region

AGREED:
NEPAL

By __________________________
Authorized Representative
Name __________________________
Title __________________________
Date _________________

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
ANNEX

Article I
Standard Conditions; Definitions


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 or in this Agreement as follows:

(a) “MoE” means the Recipient’s Ministry of Education or any successor thereto.

(b) “DoE” means the Recipient’s Department of Education or any successor thereto.

(c) “Environmental Management Framework” or “EMF” means the Environmental Management Framework dated May 2009 and approved by the World Bank, described in the Financing Agreement for the School Sector Reform Program dated November 27, 2009 (Credit No. 4652-NP; Grant No. H518-NP), which shall be used for the implementation of Part B of the Project, setting out, *inter alia*, policies and procedures for the assessment, screening and management of environmental impacts of activities to be carried out under the Project, as the same may be amended from time to time with the agreement of the World Bank.

Article II
Project Execution

2.01. **Project Objectives and Description.** (a) The objective is to reduce the Recipient’s risk from earthquakes, especially the vulnerability of public schools.

(b) The Project consists of the following parts:

**Part A. Structural Assessment of Public Schools**

Provision of technical assistance to the MoE in the development of methodologies and pilot program for the structural assessment of public schools in the Kathmandu Valley.

**Part B. Retrofitting of Public Schools Buildings**

Retrofitting of up to seven public school buildings in the Kathmandu valley area, through the provision of training to local engineers, masons and foremen in structural techniques to increase seismic safety, and thereafter development of methodologies to insert seismic resistant techniques in traditional designs.

**Part C. Contingency Planning**

Carrying out consultations, training and contingency planning activities in selected school districts.

**Part D. Socialization and Awareness Building**
Enhance the involvement of communities surrounding the schools being retrofitted, including carrying out awareness building activities with the local government and communities at large.

Part E. Monitoring and Evaluation

Carrying out monitoring and evaluation activities to gauge the progress of the Project against key indicators and supporting the development of a monitoring and evaluation system.

Part F. Project Management

Strengthening the capacity of MoE to manage the Project including financial management, audit, procurement, and monitoring and evaluation.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Education 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 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. Institutional and Other Arrangements.

The Recipient shall:

(i) carry out the Part B of the Project in accordance with the EMF prepared for managing and mitigating the environmental risks related to any civil works, including that all civil works to be financed through the Project have been designed and appraised, with due regard for public health, safety, social and environmental standards acceptable to the World Bank, and pursuant to said framework;

(ii) prepare an environmental checklist on the basis of the EMF for screening all civil works under Part B of the Project, and if necessary prepare an environmental management plan on the basis of such screening, in terms satisfactory to the World Bank, in order to determine any measures to be taken to prevent, minimize, mitigate or compensate any environmentally adverse effects; and

(iii) in the event of any inconsistency between the provisions of this Agreement and those of the EMF and the environmental checklist, the provisions of this Agreement shall prevail.

2.04. 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 Donor’s support for the Project.
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 Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.**

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one (1) trimester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) Increase in the school population housed in structurally safe buildings;

(ii) Increased capacity of public officials and local engineers to assess structural integrity of public buildings;

(iii) Increased number of local engineers, foremen and masons trained in seismic safe construction technique;

(iv) Increased number of communities with contingency plans; and

(v) Increase in awareness of seismic safe standards among local officials and communities.

(c) 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.

2.06. **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 Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each fiscal year 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. Such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **Procurement**
(a) **General.** All goods, works and consultants' services required for the Project and to be financed out of the proceeds of the 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 (“Procurement Guidelines”), in the case of works;

(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 (“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 Project 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 Works**

(i) Except as otherwise provided in sub-paragraph (ii) below works shall be procured under contracts awarded on the basis of National Competitive Bidding in accordance with the Public Procurement Act (and regulations made thereunder), subject to the following additional procedures:

(A) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(B) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;

(C) bids shall be opened in public in one place, immediately after the deadline for submission of bids;

(D) 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;

(E) 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 World Bank and contracts shall be awarded to the lowest evaluated bidders;
(F) rebidding shall not be carried out without the prior concurrence of the World Bank;

(G) extension of bid validity shall not be allowed without the prior concurrence of the World Bank (1) for the first request for extension if it is longer than four (4) weeks and (2) for all subsequent requests for extension irrespective of the period; and

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

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of works for those contracts specified in the Procurement Plan: (A) Limited International Bidding; (B) Shopping; (C) Direct Contracting; (D) Force Account; (E) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; and (F) Community Participation procedures which have been found acceptable to the World Bank.

(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 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) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; (G) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (H) Selection of Individual Consultants; and (I) 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.
**Article III**

**Withdrawal of Grant Proceeds**

301. *Eligible Expenditures*. The Recipient may withdraw the proceeds of the 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 Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>582,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' Services</td>
<td>651,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) In-country Training and Workshops</td>
<td>127,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Cost</td>
<td>10,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>1,370,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this section the term “In-Country Training and Workshops” means the cost of training financed under the Project, attributable to seminars and workshops, along with the cost of travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation. And (ii) the term “Operating Cost” means incremental operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.
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 countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.

### Article IV

**Recipient's Representative; Addresses**

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

4.02. **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

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

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:  
INTBAFRAD  
Telex:  
248423 (MCI) or 64145 (MCI)  
Facsimile:  
1-202-477-6391