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

Re: FIP Grant No. TF0A3862, Forest Investment Plan Preparation Project Letter Agreement

Dear Dr. Subedi:

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 implementing entity of the Forest Investment Program ("FIP") under the Trust Fund for Strategic Climate Fund ("SCF"), proposes to extend to the Recipient a grant in an amount not to exceed two hundred fifty thousand United States Dollars (US$250,000) ("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 Donors. 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 Donors 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.
Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Ya Kamata
Country Manager, Nepal

AGREED:
NEPAL

By

Authorized Representative
Name
Baikuntha Aryal
Title
Joint Secretary
Date: 26 December 2016

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

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") 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 or in this Agreement.

   (a) "FIP" means the Forest Investment Plan.

   (b) "FIP Sub-Committee" means a committee composed of up to six representatives from FIP contributor countries and six representatives from eligible FIP recipient countries, responsible for agreeing upon the number of country or regional pilot programs, approving composition of expert groups to make recommendations on the selection of country or regional pilots that will receive FIP financing, selecting pilot countries, and approving FIP financing for programs and projects.

   (c) "IPs and LCs" means indigenous peoples and local communities as defined in the FIP design document.

   (d) "Incremental Operating Costs" means the reasonable costs incurred on account of the implementation of the Project (which expenditures would not have been incurred absent the Project), including consumable materials and supplies (including office supplies), office equipment, communications, translation services, mass media and printing services, office and vehicle rental, operation and maintenance, fuel costs, charges for the opening and operation of bank accounts required for the Project, postage and handling, travel, lodging and per diems for the Project staff and officials on field visit, but excluding salaries of officials of the Recipient’s civil service.

   (e) "MOFSC" means the Ministry of Forests and Soil Conservation, or any successor thereto.

   (f) "REDD+" means reducing emissions from deforestation and forest degradation conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.

   (g) "REDD IC" means the REDD Implementation Centre established under the Ministry of Forest and Soil Conservation, or any successor thereto.

   (e) "Training" means reasonable costs associated with training and workshops participation under the Project, consisting of travel and subsistence costs for training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, preparation and reproduction of training materials.

Article II
Project Execution

2.01. Project Objectives and Description. The objectives of the Project is to support the Government of Nepal with the preparation of the Forest Investment Plan and enhance the capacity for its implementation. The Project consists of the following parts:

(a) Review and analysis of national strategies and plans relevant for forests and climate change, including REDD+.

(b) Stakeholder consultation, including IPs/LCs, to identify the main areas of investment to be financed by the FIP.

(c) Capacity Building of stakeholder groups in the preparation and implementation of FIP investment plan in accordance with FIP criteria.

(d) Finalization of the FIP investment plan and presentation to the FIP Sub-Committee for submission and endorsement.

(e) Project management and implementation support including procurement, financial management, environmental and social safeguards, communication, monitoring and evaluation, and reporting.

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 MOFSC 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. Without limitation upon the provisions of Section 2.02 above, the Recipient shall maintain, throughout the implementation of the Project 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 project implementation activities, including financial management, procurement, disbursement, reporting, and monitoring and evaluation.

2.04. Safeguards. The Recipient shall ensure that the terms of reference for any consultants’ services in respect of any activity financed under the Project shall be satisfactory to the World Bank following its review thereof, and to that end, such terms of reference shall duly incorporate applicable World Bank Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.

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 calendar semester, and shall be furnished to the World Bank not later than one month 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) FIP Investment Plan for Nepal reflects the results from a participatory development process;

(ii) At least three in-depth technical trainings related to forests (including on forest-smart sector investment opportunities and forest accounts) and joint meetings for sector agencies developed;

(iii) Increased political will to address Nepal’s forest challenges (i.e., indicated by active inter-ministerial committee or equivalent) has been achieved.

(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 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 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 fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07.  **Procurement**

   (a) **General.** All goods, non-consulting services 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:


   (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 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 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 International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, 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) National Competitive Bidding, subject to additional provisions described under (iii) below; (C) Shopping; and (D) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank.

(iii) The following additional provisions 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) Selection based on Consultants’ Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) 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

3.01. 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) Goods, non-consulting services, consultants’ services, Training and Workshops, and Incremental Operating Costs</td>
<td>250,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>250,000</td>
<td></td>
</tr>
</tbody>
</table>

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 September 30, 2018.

**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 Minister 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

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

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