The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Nepal Country Office
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CONFORMED COPY
January 20, 2011

Mr. Hari Bastola
Country Representative
Center for International Studies and Cooperation (CECI)
GPO Box 2959, Baluwatar
Kathmandu, Nepal

Re: Nepal: Program to Promote the Demand for Good Governance under the State-and Peace-Building Fund (SPF)
Recipient-Executed
SPF Grant Number TF098650

Dear Mr. Bastola:

In response to the request for financial assistance made on behalf of the Center for International Studies and Cooperation (the “Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“IBRD”) and International Development Association (“IDA”) (collectively, the “World Bank”), acting as administrator of grant funds provided under the State-and Peace-Building Fund (“SPF”), proposes to extend to the Recipient for the benefit of Nepal (the “Member Country”), a grant in the amount of seven hundred eighty two thousand United States Dollars (U.S.$782,000) (the “Grant”) on the terms and conditions set forth or referred to in this letter agreement (the “Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (the “Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds 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 your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the World Bank of the original of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Christine E. Kimes
Christine E. Kimes
Acting Country Director for Nepal
South Asia Region

AGREED:
CENTER FOR INTERNATIONAL STUDIES AND COOPERATION (CECI)

By /s/ Hari Bastola
Country Representative
January 24, 2011

Enclosures:


1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 1, 2008 ("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 as follows:

(a) "CSO" means civil society organization.

(b) "DFGG" or "social accountability" means demand for good governance, a process by which citizens, CSOs and other non-state actors engage with governments with a view to holding them accountable and encouraging them to be transparent and responsive to citizens' needs.

(c) "GMC" means a grant management committee to be established by the Recipient and referred to in Section 2.02(b)(ii) of the Annex to this Agreement.

(d) "Grants Management Manual" means the grant implementation manual to be prepared and adopted by the Recipient, which includes policies and guidelines for the strategic and operational management of the Grant, terms of reference and eligibility criteria for the selection of Sub-Projects including any updates made from time to time with the World Bank's approval, and referred to in Section 2.02(b)(i) of the Annex to this Agreement.

(e) "PRAN" means the Program for Accountability in Nepal.

(f) "PCU" means the Project Coordination Unit established by the World Bank for the overall implementation of its respective parts of the Project, and referred to in Section 2.02(b)(iii) of the Annex to this Agreement.

(g) "Sub-Grant" means a grant made, by the Recipient, out of the proceeds of the Grant in accordance with the provisions of this Agreement to a selected CSO for the carrying out of Sub-Projects.

(h) "Sub-Projects" means DFFG or social accountability related Sub-Projects.

(i) "Sub-Project Agreement" means an agreement between the Recipient and a CSO for the carrying out of a Sub-Project.
Article II
Project Execution

2.01. Project Objectives and Description. (a) The objective of the Project is to carry out certain activities under the PRAN, which aims to strengthen the knowledge and skills of CSOs and other non-state actors to effectively promote and implement social accountability approaches in order to enhance government responsiveness, accountability and transparency, with constructive engagement with the Government of Nepal.

   (b) The specific purpose of the Grant is to strengthen the capacity of CSOs and other non-state actors to pilot social accountability innovations and develop social accountability tools.

   (c) The Project consists of five (5) components. One of the components i.e., “Grant Making for Action Learning” which involves sub-grants for CSOs and other non-state actors will be carried out by the Recipient as set forth below. The other four (4) components are to be carried out by the World Bank under terms and conditions to be set out in a separate grant agreement to be entered into between Nepal and the World Bank.

   (d) The activities (the Activities) which are to be carried out by the Recipient in accordance with the terms and conditions set out in this Agreement are as follows:

Grant Making for Action Learning

   (i) Enhancing community capacity to make demands for good governance

   Provision of technical assistance to CSOs which support the design and implementation of Sub-Projects related to social accountability or good governance.

   (ii) Sub-Grants for pilot DFGG projects

   Provision of Sub-Grants to qualifying CSOs practicing social accountability techniques which support the design and implementation of pilot Sub-Projects related to good governance, transparency and accountability.

   (iii) Sub-Grants for research and development of social accountability tools

   Provision of Sub-Grants to support CSOs to research, develop and test social accountability tools, and disseminate results to guide future operations and capacity building initiatives.

2.02. Project Execution Generally. (a) The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out its respective part of the Project mentioned above in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; (iii) this Article II; and (iv) the Grants Management Manual.
(b) Institutional and Other Arrangements

(i) Grants Management Manual

The Recipient shall prepare and adopt a Grants Management Manual by April 30, 2011 and thereafter maintain the Grants Management Manual throughout the period of the Project, in a manner and substance satisfactory to the World Bank, which manual, inter alia, shall include the description of: (A) implementation arrangements; (B) the procurement procedures and standard procurement documentation; (C) reporting requirements, financial management and audit procedures; and (D) the criteria for the selection of Sub-Projects and conditions of Sub-Grants. The Recipient shall not amend, suspend, abrogate, repeal or waive any provisions of the Grants Management Manual without the prior agreement of the World Bank.

(ii) Grant Making Committee

(A) The Recipient shall establish the GMC through an open, transparent, merit-based selection process by April 30, 2011, as an independent multi-stakeholder committee, comprising of representatives from government, bilateral and multilateral donors, CSOs, academia, media, think-tanks, and other non-state institutions, and a representative from the Recipient sitting in the committee only as an observer. The GMC is responsible for Sub-Grant allocations and providing overall Project implementation advice to the Recipient.

(B) The Recipient shall ensure that all the GMC members sign a code of conduct including adequate provisions to avoid conflict of interest.

(iii) Coordination with the PCU

The Recipient, shall coordinate with the PCU on matters related to Project implementation, except the selection of specific Sub-Grant recipients or CSOs. The PCU has no role, directly or indirectly, in the establishment or functioning of the GMC or in Sub-Grant recipient or CSO selection.

(iv) Sub-Projects

(A) The Recipient shall:

(i) cause the GMC to ensure that the Sub-Grant making process, including the selection of Sub-Projects is objective and transparent and follows the criteria set out in the Grants Management Manual.

(ii) ensure that, to be eligible for a Sub-Grant, a CSO shall prepare a proposal that fully satisfies the eligibility criteria specified in the Grants Management Manual.

(iii) be responsible for evaluating each Sub-Project proposal and making recommendations to the GMC. In evaluating each Sub-
Project proposal, consideration shall be given to the applicant's capacity to carry out, manage and maintain the Sub-Project in conformity with appropriate administrative, financial, technical, environmental and managerial standards.

(B) The Recipient, following the GMC’s approval of a Sub-Grant proposal, shall make the proceeds of the Grant available, as Sub-Grants, to successful CSOs under Sub-Project Agreements, each to be entered into by a representative of the CSO and the Recipient, all under terms and conditions which shall have been approved by the World Bank. A Sub-Project Agreement shall provide for rights adequate to protect the interests of the World Bank and the Recipient, including to the extent that it shall be appropriate to:

(i) require the CSO to carry out the Sub-Project with due diligence and efficiency and in accordance with sound administrative, financial, technical and managerial standards, and maintain adequate records for the Sub-Project concerned, including, in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of grant proceeds;

(ii) require that all goods and services required for the Sub-Project shall be procured in accordance with the provisions of Section 2.06 of the Annex to this Agreement;

(iii) require that all goods and services shall be used exclusively in the carrying out of the Sub-Project;

(iv) permit the Recipient to inspect, by itself or jointly with representatives of the World Bank if the World Bank shall so request, any activities included in the Sub-Project, the operation thereof, and any relevant records and documents; and

(v) suspend or terminate the right of the CSO to the use of the proceeds of the Sub-Grant upon the failure by the CSO to perform any of its obligations under the Sub-Project Agreement.

2.03. 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 the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Member Country’s territory for purposes related to the Project.

2.04. 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 agreed with the World Bank and indicated in the Grants Management Manual. Each Project Report shall cover
the period of one (1) fiscal year quarter, 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 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.

2.05. **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 quarter, covering the quarter, 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 Recipient shall ensure that the audited Financial Statements for each such period shall be: (i) furnished to the World Bank not later than six (6) months after the end of such period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the World Bank.

2.06. **Procurement**

(a) **General.** All goods and 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 (excluding paragraph 1.16) of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I (excluding paragraph 1.24) and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section.

(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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding, 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 special preference will be accorded to any bidder either for price or for other terms and conditions of the bidding when competing with foreign bidders, state-owned enterprises or small-scale enterprises;

(C) Bid documents shall specify a single location for bid submission, and bids shall be opened immediately after the submission deadline;

(D) Bid documents shall be based on samples agreed with the World Bank and shall include adequate qualification criteria;

(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 Association and contracts shall be awarded to the lowest evaluated bidders;

(F) Re-bidding shall not be carried out without the prior concurrence of the Bank. The system of rejecting bids outside a predetermined margin or bracket of prices shall not be used;

(G) Extension of bid validity shall not be allowed without the prior concurrence of the Bank: (i) for the first request for extension if it is longer than four weeks; and (ii) for all subsequent requests for the extension irrespective of the period (such concurrence will be considered by the Bank only in cases of Force Majeure and circumstances beyond the control of the Purchaser/ Employer);

(H) There shall not be any restrictions on the means of delivery of the bids; and

(I) Bidding shall not be restricted to pre-registered firms. 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.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts which the Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (A) Limited International Bidding; (B) Shopping; and (C) Direct Contracting.

(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 the Bank agrees meet the requirements set forth in the
Consultant Guidelines for their use: (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) Selection of Service Delivery Contractors which have been found acceptable to the World Bank; (G) Selection of Individual Consultants; and (H) Sole Source Procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank ofProcurement Decisions.** Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (A) each contract for goods estimated to cost the equivalent of $50,000 or more, procured on the basis of Limited International Bidding or National Competitive Bidding, all direct contracts, and the first three contracts procured through shopping methods; and (B) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $50,000 or more; all sole source contracts, and contracts with individuals estimated to cost the equivalent of $10,000 or more. 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) Sub-Grants</td>
<td>630,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Consultants’ Services, Training and Incremental Operating Costs</td>
<td>152,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>782,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this paragraph: (i) “Training” means both in-house and external training provided by consultants or experts, workshops, seminars, and forums such as stakeholder consultation, dissemination of findings, presentation to various audiences; and (ii) “Incremental Operating Costs” means the reasonable expenditures directly related to the Project incurred by the
Recipient, on account of Project implementation, coordination and monitoring and evaluation, in respect of travel including per diem, meeting expenses, office supplies, telecommunication expenses, operating and maintenance costs, as well as management and audit costs.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed thirty thousand United States dollars (US$30,000) equivalent may be made for payments made prior to this date but on or after September 15, 2010, for Eligible Expenditures under Category 2 above; and

(b) under Category 1 unless the Grants Management Manual satisfactory to the World Bank has been prepared and adopted for the Project.

3.03. **Withdrawal Period.** The closing Date referred to in Section 3.06 (c) of the Standard Conditions is October 31, 2012.

### 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 Country Representative, CECI.

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

Center for International Studies and Cooperation (CECI)
135, Naya Basti Marg, Baluwatar,
GPO Box 2959, Baluwatar
Kathmandu, Nepal

Facsimile:
977-1-441-3256

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/International Development Association
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
APPENDIX

Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   "...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. Section 11(a) is modified to read as follows:

   "... (a) sanction in accordance with prevailing Bank's sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

Footnotes:

"13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

"14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and
agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”