FINANCING AGREEMENT

(Second Additional Financing for the Earthquake Housing Reconstruction Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between NEPAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities relating to the Original Project (as defined in the Appendix to this Agreement, plus further activities set forth in Schedule 1 to this Agreement:

WHEREAS:

(A) under the Original Financing Agreement (as defined in the Appendix to this Agreement), the Association agreed to provide the Recipient with a credit in an amount equivalent to one hundred forty-three million nine hundred thousand Special Drawing Rights (SDR 143,900,000) to assist in financing the Original Project;

(B) under the First Additional Financing Agreement (as defined in the Appendix to this Agreement), the Association agreed to provide additional financial assistance in an amount equivalent to two hundred thirteen million six hundred thousand Special Drawing Rights (SDR 213,600,000) to scale-up the Original Project;

(C) the Recipient has requested the Association to provide the second additional financial assistance in support of activities related to the Original Project, and further activities set forth in Schedule 1 to this Agreement, by providing an additional credit in an amount equivalent to one hundred and forty-five million Special Drawing Rights (SDR 145,000,000);

(D) the Association has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement; and

(E) this Agreement sets out the terms and conditions related to the second additional financing for the Project.
NOW THEREFORE the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.1. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.2. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions, the Original Financing Agreement, or in the Appendix to this Agreement (including the Preamble and Appendix thereto).

ARTICLE II — FINANCING

2.1. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to one hundred and forty five million Special Drawing Rights (SDR 145,000,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.2. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

2.3. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.4. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.5. The Payment Dates are June 1 and December 1 in each year.

2.6. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.7. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Parts 1, 2 and 3 of the Project through NRA, as per
the allocation of responsibilities set forth in the Operations Manual and Part 4 of the Project through the Coordinating Authority, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.1. The Additional Condition of Effectiveness consists of the following:

(a) The Recipient shall take such executive or administrative action for the extension of the NRA and/or provide suitable alternative implementing arrangements, acceptable to the Association.

4.2. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.3. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.1. The Recipient’s Representative is the Secretary, Ministry of Finance of the Recipient, or Joint Secretary of the International Economic Cooperation Coordination Division, Ministry of Finance.

5.2. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

Ministry of Finance  
Government of Nepal  
Singha Durbar  
Kathmandu  
Nepal; and

(b) the Recipient’s Electronic Address is:

Facsimile: (977-1) 4211-164  
E-mail: secretary@mof.gov.np
5.3. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex: 248423 (MCI)  
Facsimile: 1-202-477-6391
AGREED as of the February 6, 2020

NEPAL
By
Authorized Representative
Name: Shreekrishna Nepal
Title: Joint Secretary, Ministry of Finance
Date: February 6, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION
By
Authorized Representative
Name: Faris H. Hadad-Zervos
Title: Country Manager
Date: February 6, 2020
SCHEDULE 1

Project Description

The objective of the Project is to restore affected houses with multi-hazard resistant core housing units in Targeted Areas and to enhance the Recipient's ability to improve long-term disaster resilience.

The Project consists of the Original Project and the following additional activity:

Provision of Housing Grants to approximately 86,680 Participating Household Beneficiaries in Targeted Areas for the reconstruction of multi-hazard resilient core housing units. (in addition to the 55,000 Participating Household Beneficiaries covered by the Original Project and the 96,000 Participating Household Beneficiaries covered by the First Additional Financing Project).
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Section I.A, I.B, I.D, I.E and I.G (Implementation Arrangements), of Schedule 2 to the Original Financing Agreement and the Definitions in the Appendix to the Original Financing Agreement, as amended, (other than the reference to the General Conditions in Section I.D.(b)(v), which shall be renumbered as “Section 8.02, 8.03 or 8.06” and the terms “Consultants Guidelines”, “Procurement Guidelines” and “Public Procurement Act”) are hereby incorporated by reference and shall apply, mutatis mutandis, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as it such provisions had been set out in full in this Agreement.

B. Safeguards

1. The Recipient, through NRA, shall carry out the Project in accordance with the Safeguards Instruments.

2. Without limitation to the provision of Section II of this Schedule, the Recipient, through NRA, shall take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, including details on:

   a) measures taken by the Recipient in furtherance of the Safeguards Instruments;

   b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and

   c) remedial measures taken, or required to be taken, to address such conditions.

3. The Recipient shall ensure that:

   a) the proceeds of the Credit are not utilized for any purchase/acquisition of land; and
b) the following Project expenditures are financed exclusively out of the Recipient's own resources, and, to this end, the Recipient shall provide, as promptly as needed, the resources required therefor, namely that, all compensation, resettlement and/or rehabilitation payment to Displaced Persons in accordance with the provision of the RPF and the respective Resettlement Action Plan(s).

4. In the event of a conflict between the provisions of the Safeguards Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each Fiscal Quadrimester, covering the Fiscal Quadrimester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Incremental Operating Costs, and Training and Workshops for the Project</td>
<td>2,150,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Housing Grants</td>
<td>142,850,000</td>
<td>83% of amounts disbursed</td>
</tr>
<tr>
<td>(3) Emergency Expenditures for the CER Component</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>145,000,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Sections IV.B.1(c), IV.B.2 and IV.C (Withdrawal of the Proceeds of the Financing) of Schedule 2 to the Original Financing Agreement are hereby incorporated by reference and shall apply, *mutatis mutandis*, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

2. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that: (i) withdrawals up to an aggregate amount not to exceed SDR 860,000 may be made for payments made prior to this date but on or after January 31, 2019, for Eligible Expenditures under Category (1); and (ii) withdrawals up to an aggregate amount not to exceed SDR 57,140,000 may be made for payments made prior to this date but on or after January 31, 2019, for Eligible Expenditures under Category (2).

3. The Closing Date is June 30, 2023.

C. Other Undertakings

The Recipient shall ensure that: (i) no payments shall be made under either Category (1) or Category (2) of Section III.A above, where the Recipient/ NRA shall have financed or agreed to finance any expenditure incurred under any other credit, loan or grant under any contract with the Association or any national or international agency or organization or a sovereign government; and (ii) any additional Participating Municipality added or proposed to be added under this Agreement shall have the same monitoring, reporting and fiduciary arrangements as under the Original Project.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage) *</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 1 and December 1, commencing June 1, 2026 to and including December 1, 2057.</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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.

2. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

3. "Displaced Persons" means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a "Displaced Person" means any of such Displaced Persons.

4. "Environmental and Social Management Framework" or the acronym "ESMF" means the framework of the Recipient revised and disclosed in-country on December 07, 2018, setting forth the modalities for environmental and social screening and procedures for the preparation and implementation of environmental and social management systems, environmental and social assessments and environmental and social management plans under the Project, and such term includes all schedules and annexes to the ESMF, as the same may be amended from time to time with the written agreement of the Association. The scope of the revised ESMF excludes community relocation, integrated settlement development, urban areas, areas supported by other donors or international/national nongovernmental organizations, and reconstruction of heritage/cultural sites and other physical and social infrastructure and services.

5. "First Additional Financing Agreement" means the amended and restated Financing Agreement between the Recipient and the Association, dated January 21, 2018, for the purpose of providing additional credit for the scale-up of the Original Project, as may be amended from time to time (Credit No. 6164-NP).

6. "First Additional Financing Project" means the Project described in Schedule 1 to the First Additional Financing Agreement.

8. “Operations Manual” means the Recipient’s manual acceptable to the Association, dated January 2016, as the same may be amended from time to time with the prior written approval of the Association, guiding implementation of the Project and meeting the requirements set out in paragraph 1 of Section I.B of Schedule 2 to the Original Financing Agreement.

9. “Original Financing Agreement” means the amended and restated Financing Agreement between the Recipient and the Associated, dated August 14, 2015, for the purpose of providing original credit for the Original Project, as amended from time to time (Credit No. 5706-NP).

10. “Original Project” means the Project described in Schedule 1 to the Original Financing Agreement.

11. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.

12. “Project level Environmental and Social Management Plan” means the plan developed as part of the revised ESMF and publicly disclosed by the recipient, which sets out, inter alia: (a) the specific actions, measures and policies designed to maximize the benefits of the Project, as well as eliminate, offset or mitigate any adverse environmental and/or social impacts, or reduce such impacts to acceptable levels, during its design, construction and operation phases; (b) location, timeframe and mitigation costs; (c) reference to the relevant laws, regulations, and contract documents; and (d) responsibility for implementation and supervision, as said plan may be revised from time to time, and such term includes any annexes or schedules to such plan.

13. “Resettlement Action Plan” or the acronym “RAP” means each of the resettlement action plans to be prepared, pursuant to the requirements of the RPF prepared as part of the ESMF, in form and substance satisfactory to the Association, setting out, inter alia, measures for compensation and resettlement of any Displaced Persons, including the magnitude of displacement, compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring, reporting and grievance redress arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, as said plan may be modified from time to time with the prior written
no-objection of the Association, and such term includes any annexes and schedules to such plan.

14. "Resettlement Policy Framework" or the acronym "RPF" means the Recipient's framework, disclosed in-country December 07, 2018, as part of the ESMF, setting out measures and actions to be taken during the implementation of the Project for the provision of compensation, rehabilitation and resettlement assistance to any Displaced Persons, and protocols and procedures for voluntary land donations, with related public consultation, disclosure, monitoring, reporting and grievance redress procedures, as said framework may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such framework.

15. "Safeguards Instruments" means collectively, the Environmental and Social Management Framework, including the Resettlement Policy Framework and the Project level Environmental and Social Management Plan, Site-Specific Environmental and Social Management Plans and the Resettlement Action Plans, prepared or to be prepared by the Project Implementing Entity on account of the Project.

16. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

17. "Site Specific Environmental and Social Management Plans" means the plan prepared in special cases and disclosed by the Recipient as required by the ESMF, agreed with the Association, which sets out, inter alia: (a) the specific actions, measures and policies designed to maximize the benefits of the Project, as well as eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, during its design, construction and operation phases; (b) location, timeframe and mitigation costs; (c) reference to the relevant laws, regulations, and contract documents; and (d) responsibility for implementation and supervision, as said plan may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan. The special cases for EHRP are: safety issues of existing temporary structures in use, water availability for reconstruction, slope stability and landslides and involuntary resettlement.