Financing Agreement

(Development Policy Financing with a Catastrophe Deferred Drawdown Option)

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 financing in support of the Program (as defined in the Appendix to this Agreement).

Whereas (A) the Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule I to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework; and

(B) the Association has also decided to provide to the Recipient access to the resources from the Pandemic Emergency Financing (PEF) Facility on the basis of the actions taken under this Program, to address escalating disease outbreaks pursuant to the terms of the grant agreement entered into between the Recipient and the Association of the same date as this Agreement, as such agreement may be amended from time to time ("Grant Agreement").

The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. 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 thirty-six million two hundred thousand Special Drawing Rights (SDR 36,200,000) (variously, “Credit” and “Financing”.

CREDIT NUMBER 6543-NP
2.02. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.03. The Payment Dates are March 15 and September 15 in each year.

2.04. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement and subject to provisions of Section 2.08 below.

2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.

2.06. The Payment Currency is Dollar.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

2.08. (a) If, prior to the Closing Date, the Recipient requests an extension of the Closing Date, the Association may provide such extension only once and for a maximum withdrawal period of six (6) years after the Signature Date and on such Credit terms and conditions as agreed with the Association; and

(b) notwithstanding the provisions of sub-paragraph (a) above, the Closing Date shall not be extended if at the time of Recipient’s request, the events specified in sub-paragraph (b) (i) (A) and (B) of Section 3.05 of the General Conditions have occurred.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic policy framework and the progress achieved in carrying out the Program;
(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program, including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that, the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient’s macroeconomic policy framework.

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

5.03. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. 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.
6.02. 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

6.03. 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 March 27, 2020.

NEPAL

By

[Signature]

Authorized Representative

Name: Sishir Kumar Dhungana

Title: Secretary, Ministry of Finance

Date: March 27, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Faris H. Hadad-Zervos

Title: Country Manager

Date: March 27, 2020
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken under the Program

The actions taken by the Recipient under the Program include the following:

**Pillar A: Improving the climate and disaster risk management institutional and regulatory framework**

1. The Recipient, through its Council of Ministers, has approved the Disaster Risk Reduction and Management Regulation, which defines the disaster risk reduction and management operational procedures and institutional role and responsibilities (as evidenced by the communication by the Ministry of Home Affairs dated December 8, 2019).

**Pillar B: Integrating climate and disaster resilience in key sectors**

2. The Recipient:

   (a) through its Council of Ministers, has approved the updated Climate Change Policy, which reflects national and international commitments made by the Recipient, in line with the federalism structure under the Constitution (as evidenced by the communication by the Office of the Prime Minister and the Council of Ministers dated August 21, 2019).

   (b) through its Building Construction Management and Improvement Committee, has approved the updated Nepal National Building Code 105 Seismic Design of Buildings in Nepal, which aims to enhance seismic resilience of the buildings (evidenced by the minutes of the 16th meeting of the Building Construction Management and Improvement Committee dated January 1, 2020).

**Pillar C: Enhancing human health crisis preparedness and response**

3. The Recipient, through its Ministry of Health and Population, has approved the National Pandemic Preparedness and Response Plan (NPPRP), which enhances the Recipient’s preparedness and response capacities for pandemic crisis (as evidenced by the adoption of the NPPRP by the MoHP vide communication bearing reference 348 dated November 26, 2019).
Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>36,200,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>36,200,000</td>
</tr>
</tbody>
</table>

C. Withdrawal of Financing Proceeds.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied based on evidence satisfactory to it, that a State of Disaster has been declared by the Recipient either: (a) by the Ministry of Home Affairs, as specified in the Government of Nepal (Allocation of Business) Rules of 23rd of February of 2018, Schedule 2, Section 8, points 18 and 19, in such manner as the Recipient deems appropriate, to respond to an imminent or occurring natural catastrophe, or (b) by the Ministry of Health and Population, as per the provisions of the Public Health Service Act of 2018, Chapter 6, Section 48, in such manner as the Recipient deems appropriate, to respond to an imminent or occurring health-related shock.

2. Notwithstanding the foregoing, if at any time prior to the receipt by the Association of a request for withdrawal of an amount of the Financing, the Association determines that a review of the Recipient’s progress in carrying out the Program is warranted, the Association shall give notice to the Recipient to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Financing Balance unless and until the Association has notified the Recipient of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of Section 3.01 of Article III of this Agreement, with the progress achieved by Recipient in carrying out the Program.
D. Deposit of Financing Amounts.

The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the NPR equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Closing Date. The Closing Date is May 31, 2023.
SCHEDULE 2

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 March 15 and September 15, commencing March 15, 2026 to and including</td>
<td>1.5625%</td>
</tr>
<tr>
<td>September 15, 2057</td>
<td></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 and Section 2.08 (a) of Article II of this Agreement.
APPENDIX

Section I. Definitions


2. “Building Construction Management and Improvement Committee” means the committee formed pursuant to Section 3 of the Building Act.


6. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018, with the modifications set forth in Section II of this Appendix.


9. “Ministry of Home Affairs” or “MoHA” means the Recipient’s Ministry of Home Affairs, or its successor thereto.

10. “Ministry of Urban Development” or “MOUD” means the Recipient’s Ministry of Urban Development, or its successor thereto.


13. "NPR" means Nepalese Rupees, the currency of the Recipient.


15. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated January 29, 2020 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.


17. "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.

18. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

19. "State of Disaster" means a declaration either: (a) upon imminent or occurring adverse natural event, except health shocks, in the country followed by a declaration of disaster by the Ministry of Home Affairs, the leading disaster management entity as specified in the Government of Nepal (Allocation of Business) Rules of 23rd of February of 2018, Schedule 2, Section 8, points 18 and 19; or (b) upon imminent or occurring health-related shock in the country followed by a declaration of state of public health emergency by the Ministry of Health and Population as per the provisions of the Public Health Service Act of 2018, Chapter 6, point 48, each in such manner as the Recipient deems appropriate.
Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 of the General Conditions is deleted in its entirety, and the remaining sections are renumbered accordingly.

2. In the Table of Contents, the Appendix and all other provisions of the General Conditions, all references to Section numbers and paragraphs of Article III are modified, as necessary, to reflect the modification set forth above.