Financing Agreement

(Additional Financing for Irrigation and Water Resources Management Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated MARCH 24, 2014
FINANCING AGREEMENT

AGREEMENT, dated MARCH 24, 2014 entered into between NEPAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral 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 or in the Original Financing Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule I to this Agreement ("Project"): (a) an amount equivalent to thirteen million one hundred thousand Special Drawing Rights (SDR 13,100,000) ("Grant"); and (b) an amount equivalent to nineteen million six hundred thousand Special Drawing Rights (SDR 19,600,000) ("Credit").

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are June 15 and December 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through DOA, DOI and WECS in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV—EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.02. For purposes of Section 8.05(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 date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Secretary, Ministry of Finance.

5.02. The Recipient’s Address is:

Ministry of Finance  
Government of Nepal  
Singha Durbar  
Kathmandu  
Nepal

Facsimile:  
(977-1) 4211-164
5.03. The Association's Address is:

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

Cable: INDEVAS
        Telex: 248423 (MCI)
        Facsimile: 1-202-477-6391

AGREED at Kathmandu, Nepal, as of the day and year first above written.

NEPAL

By

Authorized Representative

Name: Mammo J S

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Johannes ZUTT

Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve irrigated agriculture productivity and management of selected irrigation schemes and enhance institutional capacity for integrated water resources management. The Project consists of the same parts of the Original Project.
SCHEDULE 2 - Project Execution

Section I. Implementation Arrangements

A. Committees (PSC, PICC, HLPSC)

The provisions of Part A of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, mutatis mutandis.

B. Office of the Project Director (OPD); WECS Project Management Team; DOA Project Management Team

The provisions of Part B of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, mutatis mutandis.

C. Project Implementation Plan; Project Implementation Manuals; Guidelines for WUAs

The provisions of Part C of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, mutatis mutandis.

D. Integrated Social and Environmental Assessment Report (ISEA); Social and Environmental Management Framework (SEMF)

The provisions of Part D of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, mutatis mutandis.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GPAP.
F. WUA Establishment Grant

The provisions of Paragraphs 1 and 2 of Part F of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

G Investment Support Grants (ISG)

The provisions of Paragraphs 1 and 2 of Part G of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

H. Annual Work Plan and Budget (AWPB)

The provisions of Paragraphs 1 through 2 of Part H of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

I. Annual Review

The provisions of Part I of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

J Technical Assistance

The terms of reference for the provision of technical assistance under Parts A and B of the Project shall be satisfactory to the Association in form and substance.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one (1) Fiscal Year trimester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each Fiscal Year trimester, interim unaudited financial reports for the Project covering the Fiscal Year trimester, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements, consisting of (i) Financial Statements for Parts A, B and C of the Project and (ii) Financial Statements for Part D of the Project, audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and
non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding subject to the procedures set out in Section E below</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Community Participation procedures acceptable to the Association</td>
</tr>
</tbody>
</table>

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.
E. National Competitive Bidding

In addition to the procedures stipulated in the Public Procurement Act (and regulations made thereunder), the following additional procedures shall apply to goods and works procured on the basis of National Competitive Bidding:

1. Only the model bidding documents for National Competitive Bidding agreed with the Association (as amended from time to time), including qualification criteria shall be used;

2. Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

3. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;

4. Bids shall be opened in public in one place, immediately after the deadline for submission of bids;

5. 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;

6. 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;

7. Rebidding shall not be carried out without the prior concurrence of the Association;

8. Extension of bid validity shall not be allowed without the prior concurrence of the Association (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; and

9. There shall not be any restrictions on the means of delivery of the bids.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing 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 Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works under Parts A and B of the Project (incurred by DOI)</td>
<td>17,000,000</td>
<td></td>
<td>80%</td>
</tr>
<tr>
<td>(2) Goods, consultants’ services, Training and WUA Establishment Grants under Parts A, B, C and D of the Project (incurred by DOA, DOI &amp; WECS)</td>
<td></td>
<td>11,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs under Parts A, B, C and D of the Project (incurred by DOA, DOI &amp; WECS)</td>
<td></td>
<td>2,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Investment Support Grants under Part D of the Project (incurred by DOA and DOI)</td>
<td>1,050,000</td>
<td></td>
<td>80%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>1,550,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>19,600,000</strong></td>
<td><strong>13,100,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2018.
**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 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing June 15, 2024 to and including December 15, 2033</td>
<td>1%</td>
</tr>
<tr>
<td>commencing June 15, 2034 to and including December 15, 2053</td>
<td>2%</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 3.03(b) of the General Conditions.
APPENDIX - Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “First Additional Financing Agreement” means the financing agreement for the Irrigation and Water Resources Management Project between the Recipient and the Association, dated November 2, 2008, as amended to the date of this Agreement (Credit No. 4515-NP).

5. “Fiscal Year” means the twelve-month period corresponding to any of the Recipient’s fiscal year, which period commences and ends in mid-July of each calendar year.

6. “GPAP” means the Recipient’s governance and peace action plan dated November 15, 2013, acceptable to the Association, which identifies key governance issues under the Project and set forth mitigation actions to address said issues; as said plan may be modified from time to time with the prior written agreement of the Association.


8. “Incremental Operating Costs” means: (i) expenditures incurred by DOI, DOA or WECS for the operation and maintenance of facilities, equipment and vehicles used for Project implementation, including, without limitation, office rental, vehicle rental, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationeries and other office supplies, and costs of translation, printing, photocopying and advertising; (ii) transportation costs and subsistence allowances for DOI, DOA or WECS staff in travel status for Project implementation; and (iii) salaries and allowances of incremental staff assigned to DOI, DOA or WECS for Project implementation but excluding salaries of the Recipient’s civil servants.

9. “Original Financing Agreement” means the financing agreement for the Irrigation and Water Resources Management Project between the Recipient and
the Association, dated January 31, 2008, as amended to the date of this Agreement (Grant No. H338-NEP).

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


13. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 15, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

14. “Training” means any training, workshops and study tours conducted in the territory of the Recipient and abroad on, inter alia, agriculture, irrigation/water management, governance, social and environmental issues, including reasonable and necessary incremental expenditures incurred on account of organizing or attending learning and knowledge dissemination events, including, fees for educational institutions; fees and allowances for resource persons; travel, board and lodging for resource persons and trainees; logistics and materials associated with conferences, seminars, workshops, and study tours; and other training costs directly associated with the Project but excluding those provided through consulting services.

15. “WECS” means the Recipient’s Water and Energy Commission Secretariat, or any successor thereto.