Financing Agreement

(Earthquake Housing Reconstruction Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated AUGUST 14, 2015
FINANCING AGREEMENT

AGREEMENT dated August 14, 2015, entered into between NEPAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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.

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 credit in an amount equivalent to one hundred forty three million nine hundred thousand Special Drawing Rights (SDR 143,900,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I to this Agreement ("Project").

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 objective of the Project. To this end, the Recipient shall carry out Parts 1, 2, and 3 of the Project through MOFALD and MOUD 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 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 of the Recipient.

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
Washington, D.C.

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

NEPAL

By

[Signature]
Authorized Representative

Name: Suman Prasad Sharma
Title: Finance Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Johannes Zuti
Title: Country Director
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 following parts:

Part 1: Housing Reconstruction

1.1 Provision of Housing Grants to approximately 55,000 Participating Household Beneficiaries in Targeted Areas for the reconstruction of multi-hazard resilient core housing units.

1.2 Establishment of a program of owner-driven housing reconstruction in Targeted Areas including: (i) social, environmental, and technical support mechanisms for beneficiary households; (ii) training of artisans and beneficiaries; (iii) communication and outreach; (iv) supervision and certification of compliance with multi-hazard resistant standards and of completion of multi-hazard resilient core housing units; (v) implementation of the environmental and social management framework including identified safeguard mitigation measures; and (vi) development of a grievance redress mechanism.

Part 2: Disaster Risk Management Systems

Provision of support to enable the establishment of systems that provide better disaster risk reduction, preparedness, and disaster response.

Part 3: Project Implementation Support

Provision of support to MOFALD and MOUD (including the PMU, PIUs, and DL-PIUs) to strengthen their capacity to effectively procure and manage delivery systems, including monitoring and evaluation, damage assessment, beneficiary household identification, payment systems, management information system, grievance redress, and communication/outreach as set forth in the Operations Manual.

Part 4: Contingency Emergency Response

Providing immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

At the central level

1. The Recipient shall establish by not later than August 1, 2015 and thereafter maintain throughout the period of implementation of the Project (except as may be otherwise provided in paragraph 3 of this Section), the Project Management Unit, housed within MOF, with adequate professional and administrative staff, in numbers and with qualification and experience, and under terms of reference satisfactory to the Association, including a project director responsible for supervising the Project, as shall be required to provide policy guidance and coordination for, and exercise general oversight of, the implementation of Project activities.

2. The Recipient shall establish by not later than August 1, 2015, and thereafter maintain throughout the period of implementation of the Project, two project implementation units (the "PIUs"), one within MOUD and one within MOFALD, for purposes of implementing the Project as per the allocation of responsibilities and budget set forth in the Operations Manual, with adequate professional and administrative staff, in numbers and with qualification and experience, and under terms of reference satisfactory to the Association, including without limitation: (i) a Project coordinator; (ii) a senior-level accounts officer; (iii) a finance officer; (iv) a procurement officer; and (v) a safeguards specialist, to be responsible for the day-to-day planning and implementation of Project activities within their purview, as set forth in the Operations Manual.

3. (a) Upon the establishment of the Reconstruction Agency, the Recipient and the Association may agree in writing to transfer the guidance and oversight responsibilities of the PMU to such agency in a manner satisfactory to the Association. (b) In addition, in the event that, at any time during Project implementation, the Recipient proposes that the Reconstruction Agency also be vested with additional responsibilities under the Project, such as implementation, procurement and/or financial management, then (i) the Recipient shall provide the Association with such information as the Association may reasonably request to assess the capacity of the Reconstruction Agency to undertake such additional responsibilities, and (ii) subject to satisfactory assessment thereof, the Association and the Recipient may agree in writing (including, if required, an amendment to this Agreement) to reflect the transfer of such additional responsibilities.
At the district level

4. In each District in which the Project is implemented, the Recipient shall establish, by the earlier of September 1, 2015 or the first date on which the Recipient proposes to make a Housing Grant in such District, and thereafter maintain throughout the period of implementation of the Project, one or more district-level project implementation units (the “DL-PIUs”), meeting the requirements set forth in the Operations Manual, including with adequate professional and administrative staff, in numbers and with qualification and experience, and under terms of reference satisfactory to the Association, and responsible for, inter alia: (i) providing close technical support to, and supervision of, the implementation of Part 1 of the Project in such District; (ii) approval of annual work plans for such District; and (iii) monitoring, supervising and reporting to the PIUs on the progress achieved in carrying out the activities within such District.

At the village/community level

5. The Recipient, through MOFALD, shall cause VDCs and Municipalities to: (i) assist in the implementation of the Project, including the carrying out of communication and outreach activities, assistance and inspection, and first-tier grievance redress; and (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the Project, all in accordance with the provisions of the Operations Manual.

B. Project Documents

1. The Recipient shall prepare and through each of MOFALD and MOUD adopt, by the earlier of August 15, 2015 or the date on which the Recipient first proposes to release a Housing Grant, and thereafter carry out the Project in accordance with, the Operations Manual, acceptable to the Association, which manual shall set forth:

   (i) the institutional arrangement for the implementation of the Project, including: (a) eligibility criteria, methodology and procedural standards for the selection of Participating Household Beneficiaries; (b) terms and conditions of the Housing Grants, including criteria for determining and the amount of each tranche, and the format of the participation agreement which each Participating Household Beneficiary must sign with the Recipient, through MOFALD, prior to receiving any Housing Grant; (c) management information systems, verification protocols, financial management duties and disbursements, monitoring and evaluation systems, grievance redress mechanisms, and payment reconciliation protocols; (d) governance and accountability setups and operating mechanisms, including independent operational audits and third-party monitoring; and (e) selection and coordination mechanisms of Payment
Service Providers and the required terms of agreement to be entered into between each Payment Service Provider and the Recipient;

(ii) the technical guidelines for housing reconstruction under the Project which can be easily extracted for communication to Participating Household Beneficiaries, including the architectural standards, technical specifications, environmental and social safeguards standards consistent with the Safeguards Documents, and construction guidelines and milestones for measuring tranche release of Housing Grants ("Housing Reconstruction Guidelines");

(iii) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of funds) procedures for the Project; which procedures shall be consistent with those of this Agreement and the Association’s instructions hereunder;

(iv) the procedural steps for the update of the Procurement Plan and an outline of the mechanism for the settlement of procurement complaints and the disclosure of critical procurement information;

(v) policies and procedures for data collection, public awareness and information campaigns, provision of training, and monitoring and evaluation of Project activities and their related impacts;

(vi) the guidelines and arrangements for training and capacity building activities under the Project; and

(vii) the plan for implementing, monitoring and supervision of Project activities, including all technical, environmental and social aspects in relation thereto.

2. In the event of conflict between the provisions of the Operations Manual, on the one hand, and those of this Agreement, on the other, the provisions of this Agreement shall prevail. The Recipient shall refrain from amending, suspending, waiving, and/or voiding any provision of the Operations Manual, whether in whole or in part, without the prior written concurrence of the Association.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
D. Improved Housing Reconstruction

Provision of Housing Grants

1. For purposes of carrying out Part I of the Project, the Recipient shall determine, by no later than fifteen (15) days before the date on which the Recipient first proposes to release a Housing Grant, the list of Participating Household Beneficiaries, which shall comprise those eligible households: (a) in the Targeted Areas; (b) whose houses meet the guidelines, selection and prioritization criteria set out in the Operations Manual for financing of construction/reconstruction out of the proceeds of the Credit; and (c) who have entered into a Participation Agreement. The Recipient shall at all times maintain, and shall provide to the Association, at its request, the list of Participating Household Beneficiaries.

2. Upon the determination of the household beneficiaries eligible to participate in the Project, the Recipient, through MOFALD, shall:

(i) publicly disclose the list of such eligible household beneficiaries at the Project relevant sites; and

(ii) before providing a Housing Grant to a Participating Household Beneficiary, enter into a Participation Agreement with such Participating Household Beneficiary, under terms and conditions set forth in the Operations Manual, which Participation Agreement shall provide:

(a) the Participating Household Beneficiary’s voluntary participation in the Project and commitment to use the resources of the Housing Grant for the reconstruction of a multi-hazard resilient core housing unit, following the Housing Reconstruction Guidelines;

(b) the amount of the Housing Grant to be paid on a non-reimbursable basis to such Participating Household Beneficiary, including the number and amounts of each individual tranche thereof;

(c) the conditions for release of the Housing Grant to such Participating Household Beneficiary in multiple tranches upon the Participating Household Beneficiary’s signing of the Participation Agreement (for the first tranche) and the satisfactory achievement of pre-agreed milestones in the construction work of the multi-hazard resilient core housing unit (for subsequent tranches), subject to the verification mechanisms provided for in paragraph 8 of this Section I.D as further detailed in the Operations Manual;

(d) the obligation and agreement of the Participating Household Beneficiary to accept random and/or unannounced physical
inspection by the Recipient and/or the Association, in relation to the construction work; and

(e) the Recipient’s right to suspend or terminate the right of the Participating Household Beneficiary to use the proceeds of the Housing Grant, upon any failure of the Participating Household Beneficiary to perform its obligations under the Participation Agreement, or upon notice served by the Association to the Recipient that it intends to exercise any of its remedies under Section 6.02, 6.03 or 6.06 of the General Conditions.

Methods of Payment

3. For the payment of Housing Grants to Participating Household Beneficiaries, the Recipient shall engage the services of one or more Payment Service Providers (as hereinafter defined) in accordance with criteria acceptable to the Association as set forth in the Operations Manual.

4. The Recipient shall conclude, by no later than the date on which the Recipient first proposes to release a Housing Grant, and thereafter implement, one or more service agreements (each a “Payment Agreement”), in form and substance satisfactory to the Association, with a bank or financial institution, which may include a microfinance institution, or another entity having the capacity to provide the services and comply with the obligations described into the Payment Agreement, duly authorized to operate and operating in the Recipient’s territory (each a “Payment Service Provider”).

5. The Recipient shall exercise its rights under each Payment Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Payment Agreement or any of its provisions.

6. No other method shall be used for the payment of any Housing Grant unless:
   (i) such alternative method has been agreed in writing with the Association; and
   (ii) the criteria and provisions governing its use have been included by the Recipient in form and substance acceptable to the Association in an updated Operations Manual.

Conditions for the Release of Tranches

7. The Recipient shall release the first tranche of each Participating Household Beneficiary’s Housing Grant upon the Participating Household Beneficiary’s signing of the Participation Agreement in accordance with Section I.D.2 of this Schedule 2.
8. Prior to the release to a Participating Household Beneficiary of the second and subsequent tranches of such Participating Household Beneficiary’s Housing Grant, the Recipient, through MOFALD, shall ensure that:

(i) the verification procedures related to the Participating Household Beneficiary’s compliance with the Housing Reconstruction Guidelines and satisfactory achievement of the pre-agreed milestones in the construction work of the multi-hazard resilient core housing unit, including the preparation of verification reports on the completion of outputs, are carried out following the procedures set forth in the Operations Manual; and

(ii) that the proceeds of the Credit are only used to pay for Housing Grants to Participating Household Beneficiaries that have completed reconstruction of their multi-hazard resilient core housing unit, in accordance with the quality standards set forth in the Operations Manual. Housing Grants paid to Participating Household Beneficiaries whose housing units are deemed incomplete and/or of substandard quality, shall be deemed ineligible for financing under the Project, except in the event of force majeure as determined by the Association. Any amounts advanced for the financing for such ineligible Housing Grants shall be promptly reimbursed to the Association upon the Association’s request.

E. Grievance Redress Mechanism

1. The Recipient shall establish by the date on which the Recipient publicly discloses the list of eligible household beneficiaries pursuant to Section I.D.1 of this Schedule, and maintain throughout the period of implementation of Project activities, an efficient and cost effective grievance redress mechanism acceptable to the Association, based on international experience and best practices adapted to the local context, as further described in the Operations Manual.

2. Without limitation to the provisions of the preceding paragraph, the grievance redress mechanism shall be established for the purpose of, inter alia: (i) clarifying the entitlement of households and individuals to receive benefits from the Project as well as due process if complaints or grievance arise; (ii) implementing such grievance mechanism suitable to the local context in order to protect the Participating Household Beneficiaries; (iii) the handling of any complaints grievances, environmental impacts, arbitrary exclusion/ inclusion of households from the list of Participating Household Beneficiaries; (iv) designing and implementing an outreach program to inform participants of their rights and duties as well as on the respective procedures; and (v) the handling of any other complaint (other than procurement) arising out of the implementation of the Project.
F. Safeguards

1. Prior to the payment of any Housing Grant, the Recipient shall prepare, adopt, and disclose the ESMF, the RPF, and IPPF in form and substance satisfactory to the Association and, thereafter: (i) carry out the Project in accordance with the ESMF, the RPF, and the IPPF, and the instruments (to be) prepared pursuant to paragraph 2 of this sub-Section, and pursuant to the objectives, policies, procedures, and other provisions set forth therein, in a manner and substance satisfactory to the Association (the “Safeguard Documents”); and (ii) refrain from taking any action, or consenting to an action to be taken, which would prevent or interfere with the implementation of the Safeguard Documents, including any amendment, suspension, waiver, and/or voidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Association.

2. Without limitation of the provision of paragraph 1 above, the Recipient shall refrain from releasing any Housing Grant for the implementation of Project activities, until and unless:

(i) the Recipient, through MOFALD, has: (a) carried out a social and environmental screening thereof, in accordance with the guidelines, standards and procedures set forth in the ESMF, the RPF, and the IPPF; and (b) produced the respective screening report and the environmental and social safeguards checklists included in the Housing Reconstruction Guidelines;

(ii) if the screening reports so requires, the necessary environmental and social assessments and management plans, resettlement action plans (if any), and/or indigenous peoples development plans (“Safeguards Documents”), as the case may be, has/have been prepared pursuant to the ESMF, the RPF, and the IPPF in a manner and substance satisfactory to the Association; and

(iii) the foregoing Safeguard Documents, the related Housing Reconstruction Guidelines environmental, and social safeguards checklists have been publicly disclosed by the Recipient in local language(s) at the Project relevant sites, at least fifteen (15) days prior to the releasing of the respective Housing Grants.

3. The Recipient shall, by no later than forty-five (45) days after the end of each calendar semester, furnish to the Association, for its records and public disclosure, a compilation of all the social and environmental screening reports prepared by the Recipient, through MOFALD, pursuant to paragraph 2(i) above during such calendar semester.
4. Throughout the period of Project implementation, the Recipient shall: (i) maintain monitoring and evaluation protocols and record keeping procedures acceptable to the Association and adequate to enable the Recipient as well as the Association, to supervise and assess, on an on-going basis, the implementation of/compliance with the Safeguards Documents, as well as the achievement of the objectives thereof; and (ii) furnish to the Association semi-annual reports on the general compliance with the Safeguard Documents, the social and environmental impact of Project activities, and the results of the mitigation or benefit-enhancing measures applied thereto, during the period preceding the date of each such report.

5. For the avoidance of doubt, only those households so listed as Participating Household Beneficiaries in accordance with the Operations Manual and receiving Housing Grants out of the proceeds of the Credit shall be deemed part of the Project.

6. With respect to any housing reconstruction activities for which technical support is provided under Parts 1.2 and/or 3 of the Project, but the housing reconstruction activities are themselves financed from sources other than the Credit, the Recipient shall retain sole responsibility for the design, construction, safeguards, fiduciary controls and implementation of such activities. The Recipient shall ensure that all reconstruction activities financed, in whole or in part, out of the proceeds of the Credit shall be made in accordance with the Operations Manual, the Safeguards Documents, and the provisions of this Agreement.

G. Contingent Emergency Response Mechanism

1. In order to ensure proper implementation of Part 4 of the Project ("CER Component"), the Recipient shall:

(i) prepare and furnish to the Association for its review and approval, an operations manual (the "CER Operations Manual") which shall set forth detail implementation arrangements for the CER Component, including: (a) designation of, terms of reference for and resource to be allocated to, the entity to be responsible for the coordination and implementation of the CER Component (the "Coordinating Authority"); (b) specific activities which may be included in the CER Component, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (c) financial management arrangements for the CER Component; (d) procurement methods and procedures for Emergency Expenditures to be financed under the CER Component; (e) documentation required for withdrawals of Emergency Expenditures; (f) environmental and social safeguard instruments, including management frameworks, assessments and/or plans for the CER Component consistent with the Association's policies on the matter; and
(g) any other arrangements necessary to ensure proper coordination and implementation of the CER Component.

(ii) afford the Association a reasonable opportunity to review said proposed CER Operations Manual;

(iii) promptly adopt the CER Operations Manual for the CER Component as shall have been approved by the Association;

(iv) ensure that the CER Component is carried out in accordance with the CER Operations Manual, provided however that in the event of any inconsistency between any of the provisions of the CER Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail; and

(v) not amend, suspend, abrogate, repeal or waive, whether in whole or in part, any provision of the CER Operations Manual without the prior approval by the Association.

2. The Recipient shall, throughout the period of implementation of the CER Component, maintain the Coordinating Authority, with adequate staff and resources agreed with the Association.

3. The Recipient shall undertake no activities under the CER Component (and no activities shall be included in the CER Component) unless and until the following conditions have been met in respect of said activities:

(i) (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred; (b) the Recipient has furnished to the Association a request to include said activities in the CER Component in order to respond to said Eligible Crisis or Emergency, and (c) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CER Operations Manual, the Association has approved all such instruments, and the Recipient has implemented all actions which are required to be taken under said instruments prior to the commencement of such activities.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 acceptable to the Association. Each Project Report shall cover the period of one calendar 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 not later than forty-five (45) days after the end of each fiscal trimester, interim unaudited financial reports for the Project covering the trimester, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the 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, works and non-consulting services 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 methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding in accordance with the provisions of the Public Procurement Act (and regulations made thereunder), subject to the additional provisions set out in paragraph 3 below; (b) Limited International Bidding; (c) Shopping; (d) Direct Contracting; (e) Force Account; (f) Procurement from UN Agency; (g) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Association; and (i) Community Participation procedures which have been found acceptable to the Association.

3. **National Competitive Bidding.** The following additional procedures shall apply to goods, works, and non-consulting services procured on the basis of National Competitive Bidding:

   (a) 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;

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

   (c) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;

   (d) Bids shall be opened in public in one place, immediately after the deadline for submission of bids;

   (e) 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;

   (f) 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;

(g) Rebidding for prior review contracts shall not be carried out without the prior concurrence of the Association;

(h) 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

(i) There shall not be any restrictions on the means of delivery of the bids.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of UN Agency; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

D. Procurement of Emergency Expenditures under the CER Component of the Project

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the CER Component of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CER Operations Manual.

E. 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.
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 Credit 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>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Incremental Operating Costs, and Workshops and Training</td>
<td>21,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Housing Grants</td>
<td>122,300,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(3) Emergency Expenditures for the CER Component</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>143,900,000</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:
   (a) for payments made prior to the date of this Agreement; or
   (b) under Category (2) unless and until the Recipient has: (i) adopted an Operations Manual satisfactory to the Association; (ii) adopted and
published the ESMF, the RPF, and the IPPF, all in a form and substance satisfactory to the Association; and (iii) engaged financial management staff in MOFALD and MOUD in such number and with qualification, experience and terms of reference satisfactory to the Association; or

(c) under Category (3), unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, have furnished to the Association a request to include certain activities in the CER Component in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request, and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed all safeguard instruments, agreed with the Association, required for said activities, and has implemented any actions which are required to be taken under said instruments all in accordance with the provisions of Section I.G.3 of this Schedule;

(iii) the Recipient has provided sufficient evidence satisfactory to the Association, that the Coordinating Authority has adequate staff and resources in accordance with the provision of Section I.G.2 of this Schedule, for the purposes of said activities; and

(iv) the Recipient has adopted a CER Operations Manual in form, substance and manner agreed with the Association and the provisions of the CER Operations Manual remain—or have been updated in accordance with the provisions of Section I.G.1 of this Schedule, so as to be appropriate for the inclusion and implementation of said activities under the CER Component.

2. Notwithstanding the provisions of Part A of this Section:

(a) Except as the Association may otherwise agree in writing, withdrawals under Category (2) shall be output-based and shall be available for withdrawal by the Recipient subject to: (i) the Association having communicated in writing to the Recipient the unit amount of each Housing Grant; (ii) such Participating Household Beneficiary having satisfactorily achieved the agreed output in the construction work of the multi-hazard resilient core housing unit, subject to the verification mechanisms provided for in paragraph 8 of Section I.D of this Schedule as further detailed in the Operations Manual; and (iii) the Association having
received, through the Recipient, a satisfactory summarized version of the reports furnished by the verifiers for such works;

(b) The Association shall, at its sole discretion, withhold the amount allocated to any Housing Grant if the Association determines that such Housing Grant was paid to Participating Household Beneficiaries whose housing units are deemed incomplete and/or of substandard quality.

3. The Closing Date is July 31, 2020.

C. Other Undertakings

The Recipient shall ensure that the total amount of disbursements against achievement of outputs under the Project does not exceed the total amount of expenditures incurred by the Participating Household Beneficiary under Part 1.1 of the 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 15 and December 15, commencing December 15, 2021 to and including June 15, 2053</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 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions


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

3. "CER Component" means Part 4 of the Project, as described in Schedule 1 to this Agreement.

4. "CER Operations Manual" means the immediate response mechanism operations manuals referred to in Section I.G.1 of Schedule 2 to this Agreement, agreed with the Association to be adopted by the Recipient for the implementation of the CER Component, in accordance with the provision of said Section.


6. "Coordinating Authority" means the entity or entities designated by the Recipient in the CER Operations Manual, and approved by the Association pursuant to Section I.G.1 of Schedule 2 to this Agreement, to be responsible for coordinating the CER Component.

7. "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 (i) the involuntary taking of land, resulting in: (a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihood of the affected person.

8. "District" means an administrative sub-division of the Recipient within which one or more Participating Household Beneficiaries reside.

9. "DL-PIUs" means the district-level project implementation units to be established by the Recipient in accordance with Section I.A.4 of Schedule 2 to this Agreement.

10. "Earthquake" means the earthquake which occurred on the Recipient's territory on April 25, 2015, and its aftershocks, resulting in, among others, devastating loss of life, livelihoods, social services, and infrastructure.
11. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

12. "Emergency Expenditures" means any of the eligible expenditures set forth in the CER Operations Manual, in accordance with the provision of Section I.G.1 of Schedule 2 to this Agreement, and required for the activities described in such manual to be financed under the CER Component.

13. "ESMF" means the Recipient’s environmental and social management framework, which includes the GESI Action Plan, to be adopted and disclosed in a form and substance satisfactory to the Association pursuant to Section I.F.1 of Schedule 2 to this Agreement, and sets forth the guiding principles, standards and procedures for screening, managing and monitoring environmental and social impacts under the Project, including those related to natural habitats, chance cultural finds, and forestry, land acquisition, Displaced Persons, and Indigenous Peoples; as such framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association, and such term includes any annexes or schedules to such framework.


15. "GESI Action Plan" means Gender Equality and Social Inclusion Action Plan, the action plan incorporated into, and publically disclosed with, the ESMF, setting out actions to ensure equal participation of women and men beneficiaries without discrimination and better outreach to women, children, and other vulnerable groups.

16. "Housing Grant" means a grant made by the Recipient to a Participating Household Beneficiary from the proceeds of the Credit for the owner-driven construction and rehabilitation of such beneficiary’s house under Part I of the Project (as described in Schedule 1 to this Agreement) in the Targeted Areas, in accordance with operating procedures and terms and conditions acceptable to the Association, including those set forth in Section I.D of Schedule 2 to this Agreement. "Housing Grants" means more than one such Housing Grant.

17. "Housing Reconstruction Guidelines" means the technical guidelines for housing reconstruction under the Project, set out in the Operations Manual, which can be extracted for communication to Participating Household Beneficiaries, including the architectural standards, technical specifications, environmental and social safeguards standards consistent with the Safeguards Documents, and construction guidelines and milestones.
18. “Incremental Operating Costs” means Project-related incremental operating costs incurred on account of implementation, management and monitoring, dissemination of Project-related information, including office equipment, equipment maintenance and repair, consumables, maintenance and repair of vehicles, vehicle rental/leasing, reasonable costs for rental of office space directly related to the Project, travel, including travel to Project sites, communication, commercial bank charges, and advertising, but excluding the salaries and benefits of the Recipient’s civil servants.

19. “Indigenous Peoples” means any distinct, vulnerable, social and cultural group within the territory of the Recipient, that: (i) self-identifies as such and claims, and is recognized by others as, having a distinguishable cultural identity; (ii) has collective attachment to geographically distinct habitats or ancestral territories in the Project area, and to the natural resources in these habitats and territories; (iii) has customary cultural, economic, social and political institutions that are separate from those of the dominant society and culture; (iv) has an indigenous language, often different from the official language of the Recipient; and/or (v) as defined under the National Foundation for Upliftment of Indigenous Peoples/Nationalities Act, 2058 (2001).

20. “IPPF” means the Recipient’s indigenous peoples planning framework to be adopted and disclosed in a form and substance satisfactory to the Association pursuant to Section I.F.1 of Schedule 2 to this Agreement, setting out: (i) the mitigation, enhancement, monitoring, and institutional measures to ensure meaningful consultation with, and the informed participation of, Indigenous Peoples within the Project area who are affected by the Project, and (ii) the guidelines and procedures for the preparation of indigenous peoples development plans with the objective of avoiding cultural, social and economic adverse effects on Indigenous Peoples caused or likely to be caused by the Project, and through a process of informed consultation and participation, involving concerned Indigenous Peoples in the design and implementation of relevant Project activities so as to ensure that the benefits received by the Indigenous Peoples under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights; as such framework may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.


22. “MOFALD” means the Recipient’s Ministry of Federal Affairs and Local Development, or any successor thereto.

23. “MOUD” means the Recipient’s Ministry of Urban Development, or any successor thereto.
24. "Municipality" means a municipality-level administrative subdivision recently established within the Recipient's territory pursuant to the Local Self Governance Act, 2055 (1999), which term, for the purpose of this Project, only refers to those municipalities which have rural characteristics, have been identified in accordance with the Operations Manual, and within which the Participating Household Beneficiaries reside; and "Municipalities" means more than one such Municipality.

25. "Operations Manual" means the Recipient's manual, acceptable to the Association, guiding implementation of the Project and meeting the requirements set out in paragraph 1 of Section I.B of Schedule 2 to this Agreement.

26. "Participation Agreement" means each agreement to be entered into between the Recipient through MOFALD and a Participating Household Beneficiary, setting out the terms and conditions for the provision of a Housing Grant, meeting the criteria set forth in paragraph 2 of Section I.D of Schedule 2 to this Agreement.

27. "Participating Household Beneficiary" means a family or individual residing in the Targeted Areas and eligible to receive a Housing Grant in accordance with criteria acceptable to the Association as set forth in the Operations Manual and which has entered into a Participation Agreement with the Recipient governing his/her participation in the Project; and "Participating Household Beneficiaries" means, collectively, all such families and individuals.

28. "Payment Agreement" means any of the agreements referred to in Section I.D.4 of Schedule 2 to this Agreement.

29. "Payment Service Provider" means any bank or financial institution, including a microfinance institution, or any other entity having the capacity to provide the services and comply with the obligations described in the Payment Agreement.

30. "PMU" means the project management unit to be established by the Recipient in accordance with Section I.A.1 of Schedule 2 to this Agreement.

31. "PIUs" means the project implementation units to be established by the Recipient in accordance with Section I.A.2 of Schedule 2 to this Agreement.


33. "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 17, 2015 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.

35. "Reconstruction Agency" means the agency to be established by the Recipient and to be charged with the general oversight and overall supervision and coordination of the Recipient’s post-Earthquake reconstruction and rehabilitation efforts.

36. "RPF" means the Project Implementing Entity’s resettlement policy framework, to be adopted and disclosed in a form and substance satisfactory to the Association pursuant to Section I.F.1 of Schedule 2 to this Agreement, for compensation, resettlement, and rehabilitation of Displaced Persons and setting forth the guidelines, principles and procedures for preparation of resettlement action plans identifying Displaced Persons on account of implementation of Project activities, and setting forth the terms and conditions for providing them with resettlement assistance and/or compensation, as well as the procedures to be applied in the identification, assessment and mitigation of potential Project related social impacts, including the protocols for consultation, the processing of complaints and grievance redressal, monitoring and reporting requirements; as such framework may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.

37. "Safeguard Documents" means, collectively, the ESMF, the IPPF, the RPF, and each plan or plans (to be) prepared thereunder.

38. "Targeted Areas" means the areas in the Recipient’s territory affected by the Earthquake and selected by the Recipient and the Association to participate in the Project in accordance with criteria and procedures set forth in the Operations Manual.

39. "Training and Workshops" means reasonable and necessary costs of training related to the implementation of the Project, including the fees owed to educational and other institutions that provide training, costs related to attendance and organization of conferences, seminars, study tours and workshops, and the trainees' cost of travel, boarding, lodging and per diem allowances.

40. "VDC" means Village Development Committee, a village-level administrative subdivision established within the Recipient’s territory pursuant to the Local Self Governance Act, 2055 (1999) within which the Participating Household Beneficiaries reside.