
CREDIT NUMBER 7639-NP

Financing Agreement

(Nepal Disaster Resilience Development Policy Credit 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). 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.A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. 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 one hundred and thirteen million Special Drawing Rights (SDR 113,000,000) (variously, “Credit” and “Financing”).
- 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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 February 1 and August 1 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 2.06 below.
- 2.05. The Payment Currency is Dollar.
- 2.06. (a) If, prior to the Closing Date, the Recipient requests an extension of the Closing Date, the Association may provide such extension on such terms and conditions as agreed by the Association.

- (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) of Section 3.05 of the General Conditions have occurred.
- 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.

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.

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.
- 4.02. The Additional Event of Acceleration consist of the following, namely that the event specified in section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

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 its Secretary, Ministry of Finance, or its 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: E-mail:
(977-1) 4211-164 fso@mof.gov.np; ieccd@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: Facsimile: Email:
248423 (MCI) 1-202-477-6391 sacsncmucdooffice@worldbank.org

AGREED as of the Signature Date.

NEPAL

By



Authorized Representative

Name: Ram Prasad Ghimire

Title: Secretary, Ministry of Finance

Date: 21-Oct-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: David N. Sislen

Title: Country Director, Maldives, Nepal, and Sri Lanka

Date: 21-Oct-2024

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:
1. To enable the allocation and transfer of funds from the Disaster Management Fund (DMF) at the central level to provincial and local level DMFs and effective utilization, the Recipient through the Council of Ministers, has approved the Disaster Risk Reduction and Management (First Amendment) Regulation 2081 (2024), as evidenced by its publication in the Recipient's gazette (section 74 Gazette No. 13, June 17, 2024).
 2. To enhance building resilience to disasters and strengthen construction requirements, practices and compliance for emergency evacuation, disaster risk mitigation and fire safety, and to facilitate implementation monitoring, the Recipient, through the Ministry of Urban Development, has approved the amended National Building Codes NBC 206: 2024 Architectural Design Requirements and NBC 205:2024 Ready to Use Detailing Guideline for Low Rise Reinforced Concrete Buildings Without Masonry Infill, as evidenced by their publication in the Recipient's gazette (Section 74 Gazette No. 8, May 27, 2024; Section 74 Gazette No. 11, June 10, 2024).
 3. To improve disaster risk preparedness and response capacity, and to facilitate public-private partnerships to expand the scope of early warning communication from single to multiple hazards, the Recipient, through the Department of Hydrology and Meteorology (DHM) has entered into memorandum of understanding with the key telecom service providers, as evidenced by public notification published on DHM's website.
 4. To manage water-induced disasters and regulate the extraction of river and river-based construction materials, protect watershed and river network, and clarify the institutional mandates across three (3) tiers of government, the Recipient, through the Council of Ministers, has approved the River and Water Induced Disaster Management Policy, as evidenced by the letter dated December 14, 2023 (Council of Ministers M./321/2969), from the Office of Prime Minister and Council of Ministers, and its publication on the MOEWRI's website.
 5. To enhance its preparedness and response capacities for public health emergencies, the Recipient, through the Council of Ministers, has approved a new list of notifiable prioritized diseases, syndromes, and conditions to expand the scope of monitored diseases and health risk within its disease surveillance system for early

warning and emergency actions pursuant to section 49 (1) of the Public Health Service Act 2018, as evidenced by the decision approved by the Council of Ministers and its publication in the Recipient's gazette (Section 74, Gazette No.17, July 4, 2024).

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:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	113,000,000
TOTAL AMOUNT	113,000,000

- 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 Emergency has been declared by the Recipient either: (a) by notification in the Recipient's gazette, as per the provisions of the Disaster Risk Reduction and Management Act 2017, Chapter 11, section 32, in such manner as the Recipient deems appropriate, to respond to an imminent or occurring natural catastrophe, or (b) upon declaration of public health emergency by the Local or Provincial Levels or the Council of Ministers, 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 the Recipient in carrying out the Program.

3. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied, based on evidence satisfactory to it, that the situation described in paragraph (c) of Section 3.01 of Article III of this Agreement has been resolved.

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 Nepali Rupee 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 November 30, 2027.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 1 and August 1, commencing February 1, 2031 to and including August 1, 2062	1.5625%

* 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 or Section 2.04 of Article II of this Agreement.

APPENDIX

Section I. Definitions

1. “Constitution” means the Recipient’s Constitution promulgated on September 20, 2015, (2072.6.3).
2. “Council of Ministers” means the Council of Ministers of the Recipient.
3. “Department of Hydrology and Meteorology” or “DHM” is the Recipient’s Department of Hydrology and Meteorology under the Ministry of Energy, Water Resources and Irrigation, or its successor thereto.
4. “Disaster Management Fund” or “DMF” means the Recipient’s Disaster Management Fund at the central, provincial, and/or local level, established under the Disaster Risk Reduction and Management Act, 2017.
5. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (Last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
6. “Local Level” means the Recipient’s rural municipal executive or municipal executive, as referred in Article 214(4) of the constitution.
7. “Ministry of Energy, Water Resources and Irrigation” or “MoEWRI” means the Recipient’s Ministry of Energy, Water Resources and Irrigation, or its successor thereto.
8. “Ministry of Health and Population” or “MoHP” means the Recipient’s Ministry of Health and Population, or its successor thereto.
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.
11. “Office of Prime Minister and Council of Ministers” or “OPMCM” means the Recipient’s Office of Prime Minister and Council of Ministers, or its successor thereto.
12. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated August 5, 2024, 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.

13. "Provincial Level" means the Recipient's provinces, as described under Article 56 of the Constitution.
14. "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.
15. "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.
16. "State of Disaster Emergency" means a declaration either: (a) by notification in the Recipient's gazette, as per the provisions of the Disaster Risk Reduction and Management Act 2017, Chapter 11, section 32, in such manner as the Recipient deems appropriate, to respond to an imminent or occurring natural catastrophe, or (b) upon declaration of public health emergency by the Local or Provincial Levels or the Council of Ministers, 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.

Section II. Modifications to the General Conditions

1. Section 3.02 (Commitment Charge) 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.