

OFFICIAL CR 5912-NP
DOCUMENTS

CREDIT NUMBER 5912-NP

Financing Agreement

(Strengthening Systems for Social Protection and Civil Registration Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JANUARY 23, 2017

FINANCING AGREEMENT

AGREEMENT dated January 23, 2017, 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 seven million six hundred thousand Special Drawing Rights (SDR 107,600,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 15 and October 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 the Project through MOFALD/DOCR 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 Additional Conditions of Effectiveness consist of the following:
 - (a) the Recipient has adopted the Operations Manual in accordance with Section I.B.1 of Schedule 2 to this Agreement;
 - (b) the Recipient has established the Project steering committee in accordance with Section I.A.1 (a) of Schedule 2 to this Agreement;
 - (c) the Recipient has established the Project technical committee in accordance with Section I.A.1 (b) of Schedule 2 to this Agreement; and
 - (d) the Recipient has established the Project Management Unit in accordance with Section I.A.1 (c) of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. 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:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

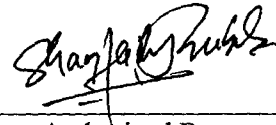
248423 (MCI)

1-202-477-6391

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

NEPAL

By



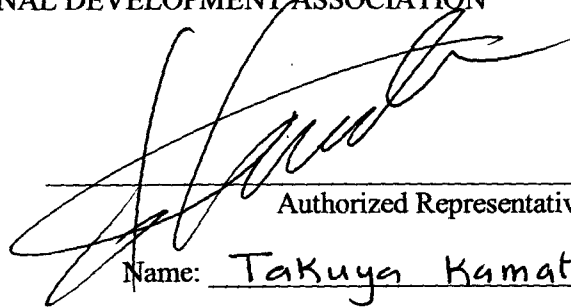
Authorized Representative

Name: Shanta Raj Subedi

Title: Finance Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Takuya Kamata

Title: Country Manager

SCHEDULE 1

Project Description

The objective of the Project is to improve the coverage of social security allowances and civil registration, and the delivery of social security allowances.

The Project consists of the following parts:

Part 1: Improving Coverage of Civil Registration and Social Security Allowances

Supporting the expansion of coverage of the civil registration and SSA Programs by establishing a national population register of individuals and household/family folders, housed in the MIS, including:

1.1. collection of data through a combination of door-to-door household visits and ward-level registration camps nationwide, except in areas where such data are already available in an appropriate digital format; and

1.2. conducting nationwide information and outreach campaigns to support data collection, promotion of regular registration of vital events and enrollment of the Eligible Beneficiaries into the SSA Programs, including annual registration camps.

Part 2: Modernizing Social Security Delivery Systems

2.1 Supporting the phased roll-out of e-Payments for the delivery of Social Security Allowances through Payment Service Providers in SSA Districts and financing Social Security Allowances to Enrolled Beneficiaries in EEP Districts;

2.2 Improving accountability and citizen engagement in the Social Security Allowances delivery process nationwide through, *inter alia*: (i) reviewing the current institutional set-up for monitoring and oversight; and (ii) capacity building activities and support to local stakeholders.

Part 3: Institutional Strengthening

3.1 Strengthening the capacity of MOFALD/DOCR through, *inter alia*: (i) improving business processes for civil registration and Social Security Allowances; (ii) reviewing DOCR's organizational structure and staffing requirements; (iii) developing DOCR's organizational capacity; and (iv) enhancing the MIS to align its functionalities to the requirements of the new IT-based civil registration and SSA Programs' business processes.

3.2 Supporting the setting up and operationalization of approximately 1,000 Service Units (SU) to provide IT-based, front- and back-end support primarily for administration of social security allowances and civil registration, including through:

(i) the financing of equipment and operating costs of the SUs and Remuneration of SU Contractors; and (ii) the provision of capacity building activities for staff assigned to Service Units as well as for relevant local government staff.

Part 4: Project Management, Monitoring and Evaluation

Supporting all aspects of Project management and implementation, including monitoring and evaluation, verification and reporting, establishment, operationalization and maintenance of the PMU and DL-PIUs, and the carrying out of evaluation studies.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

At the national level

1. The Recipient shall establish, and thereafter maintain throughout the period of implementation of the Project:
 - (a) the Project steering committee with functions, composition, and resources acceptable to the Association, to provide policy guidance and support while coordinating with other relevant government agencies in the implementation of the Project;
 - (b) the Project technical committee with functions, composition, and resources acceptable to the Association, to provide technical guidance, as necessary, in the implementation of the Project; and
 - (c) the Project Management Unit, housed within DOCR, with adequate professional and administrative staff in numbers and with qualification and experience and under terms of reference satisfactory to the Association, and headed by a Project director and three Project managers, as such unit shall be required to, *inter alia*: (i) carry out day-to-day overall Project implementation and management including overall financial management and reporting; (ii) coordinate, monitor and evaluate the DL-PIUs' work, including providing guidance to the DL-PIUs for the preparation of detailed project reports, bidding documents and the tendering thereof; (iii) monitor the implementation of the DL-PIUs' budget and work programs; (iv) prepare, update, and ensure compliance with the implementation of the Vulnerable Community Development Plan and handling Project grievances; and (v) carry out regular quality control, supervision, and monitoring and evaluation of the Project's performance pursuant to the Operations Manual.
2. Without limitation to the provisions of sub-paragraph 1 (c) above, the Recipient shall hire:
 - (a) no later than one (1) month after the Effective Date, two procurement specialists and one financial management specialist, all with qualification and experience, and under terms of reference satisfactory to the Association; and

- (b) no later than three (3) months after the Effective Date, a senior accounts assistant with qualification and experience, and under terms of reference satisfactory to the Association.
- 3. For purposes of implementing Parts 1.1, 3.2, and 4 of the Project, the Recipient shall contract, no later than ten (10) months after the Effective Date, or such later date as the Association shall otherwise agree in writing, a human resources firm under terms of reference acceptable to the Association to assist the Recipient in the selection and recruitment of qualified firms and individuals, including contractors and consultants serving in the DL-PIUs and SUs, in accordance with the provisions of the Operations Manual and the Procurement Plan.

At the local level

- 4. Prior to the initiation of any procurement activities under the Project at the district level in any given District, the Recipient shall establish, and thereafter maintain throughout the period of implementation of the Project, a district-level project implementation unit ("DL-PIU") at the respective DDC, to be led by the local development officer or his/her designate and 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, including a Project officer, an MIS assistant, and an administrative/accounts assistant, and responsible for, *inter alia*: (i) carrying out procurement activities at the local level; (ii) coordinating and providing financial reporting to the PMU; (iii) facilitating other Project activities such as training, community outreach and communications campaigns; and (iv) supervising and supporting Service Units.
- 5. No later than 1 (one) month after the establishment of each DL-PIU in accordance with paragraph 4 above, the Recipient shall establish, and thereafter maintain throughout the period of implementation of the Project, a District Project Coordination Committee ("DPCCs") at the respective DDC, to be chaired by the local development officer and with functions, composition, and resources acceptable to the Association, to facilitate the implementation of the Project activities and mobilize support from local-level government offices.
- 6. No later than two (2) months after the completion of the data collection activities under Part 1.1 of the Project in any given District, the Recipient shall establish one or more Service Units in numbers and with adequate professional and administrative staff, with qualification and experience, and under terms of reference satisfactory to the Association, including an MIS operator and a field assistant, at selected locations in each such District, all in accordance with the requirements set forth in the Operations Manual, as such unit(s) shall be required to, *inter alia*: (i) coordinate with the designated local registrars; (ii) ensure

implementation of MIS-based business processes for civil registration and SSA service delivery; (iii) provide front- or back-end services for issuance of civil registration certificates in their respective jurisdictions, enrollment of Eligible Beneficiaries, and updating beneficiaries' list and payment information in the clusters of VDCs and/or Wards within their respective jurisdictions.

B. Project Documents

1. The Recipient shall carry out the Project in accordance with the Operations Manual, which manual shall set forth, *inter alia*:
 - (i) the institutional arrangement for the implementation of the Project, including: (a) management information systems, verification protocols, financial management duties and disbursements, monitoring and evaluation systems, and grievance redress mechanisms; and (b) governance and accountability setups and operating mechanisms, including specific provisions governing the establishment and operation of Service Units;
 - (ii) 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;
 - (iii) 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;
 - (iv) 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;
 - (v) the guidelines and arrangements for training and capacity building activities under the Project; and
 - (vi) the plan for implementing, monitoring and supervision of Project activities.
2. In the event of conflict between the provisions of the Operations Manual and those of this Agreement, 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. Eligible Expenditure Program

1. For the implementation of Part 2.1 of the Project, the Recipient shall:
 - (a) provide Social Security Allowances to Enrolled Beneficiaries in the EEP Districts in accordance with eligibility criteria and procedures acceptable to the Association and described in the Social Security Program Operation Procedure; and
 - (b) ensure that the amount of Social Security Allowances are paid to the intended eligible Enrolled Beneficiaries.

E. Roll-Out of e-Payments

1. The Recipient shall:
 - (a) prior to initiating e-Payments for the delivery of Social Security Allowances in a given SSA District, engage the services of one or more Payment Service Providers in accordance with criteria acceptable to the Association as set forth in the SSA Payment Strategy; and
 - (b) conclude, and thereafter implement, one or more service agreements (each a "Payment Agreement") with each Payment Service Provider operating in EEP Districts, on terms and conditions acceptable to the Association, which shall include the following: (i) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to suspend or terminate the right of the Payment Service Provider to use the proceeds of the Financing upon the Payment Service Provider's failure to perform any of its obligations under the Payment Agreement; and (ii) require each Payment Service Provider to: (A) perform its obligations under the Payment Agreement with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; and (B) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

2. 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. In the event of conflict between the provisions of any Payment Agreement and those of this Agreement, the provisions of this Agreement shall prevail.

F. Safeguards

1. The Recipient shall:
 - (a) carry out the Project in accordance with the Vulnerable Communities Development Plan, and pursuant to the objectives, policies, procedures and other provisions set forth therein, in a manner and substance satisfactory to the Association; and
 - (b) refrain from taking any action, or consenting to an action to be taken, which would prevent or interfere with the implementation of the Vulnerable Communities Development Plan, including any amendment, suspension, waiver, and/or avoidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Association.
2. Without limitation on the provisions of Section II.A.1 of this Schedule, the Recipient shall take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with the Vulnerable Community Development Plan, providing details of:
 - (a) measures taken in furtherance of such plan;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such plan; and
 - (c) remedial measures taken or required to be taken to address any conditions referred to in the preceding sub-paragraph (b).
3. In the event of any conflict between the provisions of the Vulnerable Communities Development Plan and the provisions of this Agreement, the provisions of this Agreement shall prevail.

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 (1) Fiscal 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. Mid-Term Review

1. The Recipient shall:
 - (a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2019, a report ("Mid-Term Report") on the progress achieved in the carrying out of the Project, including the achievement of the DLI Targets and disbursements under the Project, during the period preceding the date of said report, integrating the results of the monitoring and evaluation performed pursuant to Part A.1 of this Section, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date, including any proposed modifications to the DLIs; and
 - (b) review jointly with the Association, by October 31, 2019, or such later date as the Association shall request, the report referred to in the preceding sub-paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

C. 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 Fiscal 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 (1) Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than nine (9) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods 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 and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods 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) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Direct Contracting; (f) Procurement from UN Agencies; (g) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; and (h) Community Participation procedures which have been found acceptable to the Association.

3. **National Competitive Bidding.** The following additional procedures shall apply to goods and non-consulting services procured on the basis of National Competitive Bidding:
- (a) Model bidding documents, including contract conditions agreed with the Association (as amended from time to time), shall be used. Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
 - (b) Eligibility to participate in a procurement process for and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders.
 - (c) Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. There shall not be any restriction on the modality for delivery of bids. Bids may be withdrawn or modified any time before the deadline for submission of bids. Bids shall be opened in public in one place, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to bidders unopened.
 - (d) Qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents for all contracts, irrespective of the value, and if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity to register, without let or hindrance.
 - (e) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents. Contract shall be awarded to the qualified bidder whose bid has been determined: (a) to be substantially responsive to the bidding documents, and (b) to offer the lowest-evaluated cost.
 - (f) For contracts subject to the Association's prior review, all bids shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association's prior concurrence. In case of re-bidding, the time for preparation and submission of bids shall be as set forth under provision (iii) of this Annex.
 - (g) Bids shall be valid as per the period stated in the bidding documents. For contracts subject to prior review, the 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.

- (h) Bid and performance securities shall be in the format included in the bidding documents. The bid security shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested. Performance security shall be an amount of five (5) to ten (10) percent (%) of the contract price and shall not be increased merely on the basis of comparison of the contract price with the pre-bid cost estimate.
- (i) If a contract is terminated because of fundamental breach of contract by the contractor, the amount to be recovered from the contractor representing the employer's additional costs for completing the contract shall be provisioned as agreed with the Association in model bidding documents.
- (j) At the Recipient's request, the Association may agree to the Recipient's use, in whole or in part, of its electronic procurement system, provided the Association is satisfied with the adequacy of such system.
- (k) With respect to contracts subject to the Association's prior review, the Recipient shall obtain the Association's no objection before agreeing to:
(a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than fifteen percent (15%); or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.
- (l) The bidding document and contract as deemed acceptable by the Association shall include provisions stating the Association's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.
- (m) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Association financing shall require that bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers to permit the Association to inspect all accounts, records and other documents relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights provided for in

the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.

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) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

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.

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:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services (including Remuneration of SU Contractors), and Training and Workshops under the Project	64,550,000	100%
(2) Operating Costs under the Project	12,900,000	100%
(3) Eligible Expenditure Program under Part 2.1 of the Project	30,150,000	100% up to the total DLI value
TOTAL AMOUNT	107,600,000	

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;
 - (b) under Category (3), unless and until the Recipient has:
 - (i) furnished evidence satisfactory to the Association in accordance with the DLI Verification Protocol that the Recipient has achieved the respective DLI Targets set forth in Schedule 4 to this Agreement against which withdrawal is requested; and
 - (ii) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including having furnished to the Association the applicable statement of expenditures documenting the incurrence of EEPs for which payment is requested up to the date of the applicable withdrawal application; or
 - (c) under Category (3), with respect to DLI 2, unless and until the Recipient has:

- (i) furnished evidence satisfactory to the Association in accordance with the DLI Verification Protocol that DLI 1 Target has been achieved;
 - (ii) arranged for a DLI Verification Agent having qualifications and terms of reference acceptable to the Association to verify the achievement of the DLI 2 Targets as provided in Schedule 4 to this Agreement and the DLI Verification Protocol;
 - (iii) caused said agent to verify the status of achievement of the DLI 2 Targets under terms of reference acceptable to the Association; and
 - (iv) furnished to the Association the DLI verification report(s) of said agent of scope and detail acceptable to the Association.
- 2. Without limitation on the foregoing, for withdrawals under Category (3):
 - (a) with respect to DLI 1 only: the Association may decide, in its sole discretion and in the event that the DLI Value is not disbursed at the end of Year 1 because the Association is not satisfied that the DLI Target has been fully achieved, to roll over the undisbursed amount to the subsequent DLI Periods and authorize the withdrawal of such amount when the Association shall be satisfied that the DLI Target has been fully achieved;
 - (b) with respect to DLI 2 only: the Association may authorize partial withdrawal for EEPs up to the DLI Value as specified in the "Disbursement rule" in the table in Schedule 4 to this Agreement when the Recipient shall have furnished evidence, in accordance with the DLI Verification Protocol, that the DLI Target has been partially achieved; provided however that no withdrawal with respect to DLI 2 shall be made unless and until evidence satisfactory to the Association has been furnished in accordance with the DLI Verification Protocol that DLI 1 Target has been achieved;
 - (c) in the event that the Association is not satisfied that a DLI Target has been partially or fully achieved, the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to withhold all or a portion of the DLI Values until the respective DLI Target(s) is/are satisfactorily met;
 - (d) at any time, by notice to the Recipient, the Association may cancel the amount of the Financing withheld pursuant to sub-paragraph (c) above or reallocate said amount(s) to other Categories.

- (e) if, at any time, the Association determines that any amounts of the Financing were withdrawn without evidence of actual spending by the Recipient under the EEPs or without evidence of satisfaction of other criteria set forth in this Agreement, the Recipient shall refund any such amounts to the Association as the Association shall specify by notice to the Recipient;
- (f) with respect to the DLI Period current at the time of any withdrawal, in the event that the DLI Targets for a subsequent DLI Period are partially or fully achieved in such current DLI Period, the World Bank may, in its sole discretion, by written notice to the Recipient, authorize the withdrawal for the amount of DLI Expenditures incurred in such current DLI Period of up to the value of DLI Targets of the subsequent DLI Period achieved during such current DLI Period, and the DLI Value in the subsequent DLI Period shall be correspondingly reduced; and
- (g) no withdrawal shall exceed the lesser of: (i) the total DLI Value allocated to each DLI Target; and (ii) the amount of the EEPs incurred but not paid by the proceeds of the Financing as of the date of the applicable withdrawal application.

3. The Closing Date is November 30, 2021.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15, commencing April 15, 2023 to and including October 15, 2054	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 3.03 (b) of the General Conditions.

SCHEDULE 4
Disbursement Linked Indicators

Disbursement-Linked Indicators	Year 1 (Date of this Agreement – July 15, 2018)	Year 2 (July 16, 2018 – July 15, 2019)	Year 3 (July 16, 2019 – July 15, 2020)	Year 4 (July 16, 2020 – July 15, 2021)	Year 5 (July 16, 2021 – Closing Date)
DLI 1: SSA Payment Strategy	DLI 1 Target: SSA Payment Strategy approved and adopted by MOFALD				
<i>DLI 1 Value (in SDR)</i>	5,025,000				
DLI 2: Number of Districts where Social Security Allowances are delivered via e-Payments		DLI 2.1 Target: Payments of Social Security Allowances by Payment Service Providers completed for 3 consecutive SSA Payment Periods and payment reconciliation recorded in MIS in 5 SSA Districts.	DLI 2.2 Target: Payments of Social Security Allowances by Payment Service Providers completed for 3 consecutive SSA Payment Periods and payment reconciliation recorded in MIS in an additional 10 SSA Districts.	DLI 2.3 Target: Payments of Social Security Allowances by Payment Service Providers completed for 3 consecutive SSA Payment Periods and payment reconciliation recorded in MIS in an additional 10 SSA Districts.	
<i>DLI 2 Value (in SDR)</i>		5,025,000 Disbursement Rule: 1,005,000 for each SSA District	10,050,000 Disbursement Rule: 1,005,000 for each additional SSA District	10,050,000 Disbursement Rule: 1,005,000 for each additional SSA District	

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
4. “DDC” means District Development Committee, a District-level local body established within the Recipient’s territory pursuant to the Local Self Governance Act, 2055 (1999); or any successor thereto.
5. “District” means an administrative sub-division of the Recipient, or any successor thereto.
6. “DLI” means any one of the disbursement linked indicators set out in the table in Schedule 4 to this Agreement; and “DLIs” means, collectively, all such DLIs.
7. “DLI Period” means the period specified in Schedule 4 to this Agreement as Year 1, Year 2, Year 3, Year 4 and Year 5, during which a DLI Target is set to be achieved.
8. “DL-PIU” means any of 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.
9. “DLI Target” means, with regard to each DLI, each target specified to be achieved by the Recipient during the respective DLI Period, as set out in Schedule 4 to this Agreement.
10. “DLI Value” means the amount of the Financing allocated to each DLI Target as set forth in the table in Schedule 4 to this Agreement.
11. “DLI Verification Agent” means the independent agent to be appointed by the Recipient in accordance with Section IV.B.1 (b) of Schedule 2 to this Agreement to verify the achievement of selected DLIs as specified in Schedule 4 to this Agreement and the DLI Verification Protocol.

12. “DLI Verification Protocol” means the protocol dated September 23, 2016, adopted by the Recipient in form and substance satisfactory to the Association and referred to in Section IV.B of Schedule 2 to this Agreement, containing the technical standards and procedures for assessing the achievement of DLI Targets; as such protocol may be revised from time to time with the prior approval of the Association.
13. “DOCR” means Department of Civil Registration, MOFALD’s department responsible for the management and regulation of the registration of vital events (birth, death, marriage, divorce, and migration) and the implementation of SSA Programs.
14. “DPCC” means District Project Coordination Committee, the coordination committee to be established by the Recipient in accordance with Section I.A.5 of Schedule 2 to this Agreement.
15. “EEP Districts” means the Recipient’s districts of Kathmandu, Bhaktapur, Kaski, Chitwan, Banke, and Morang.
16. “Eligible Beneficiary” means any of the individuals eligible to receive Social Security Allowances in accordance with the procedures and eligibility criteria set out in the Social Security Program Operation Procedure.
17. “Eligible Expenditure Program” means the Social Security Allowances paid to Enrolled Beneficiaries under the Recipient’s budget line 365015 in the EEP Districts.
18. “Enrolled Beneficiary” means any of the Eligible Beneficiaries enrolled in the SSA Program.
19. “e-Payments” means a method of cash delivery, such as electronic bank transfers, smart/debit cards, mobile terminals, ATMs, point of sale machines, and biometric verification, as set forth in the SSA Payment Strategy.
20. “Fiscal Trimester” means the period of four (4) calendar months beginning on or about July 16, November 16, and March 16 in each Fiscal Year.
21. “Fiscal Year” means the fiscal year of the Recipient beginning on or about July 16 in one calendar year and ending on or about July 15 in the following calendar year.
22. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
23. “MIS” means DOCR’s Management Information System.

24. “MOFALD” means the Recipient’s Ministry of Federal Affairs and Local Development, or any successor thereto.
25. “Municipality” means a municipality-level local body established within the Recipient’s territory pursuant to the Local Self Governance Act, 2055 (1999), or any successor thereto.
26. “Operating Costs” means Project-related reasonable operating costs incurred on account of implementation, management and monitoring, verification and reporting, dissemination of Project-related information, including office space rental, equipment maintenance and repair, consumables, maintenance and repair of vehicles, vehicle rental/leasing, travel, including travel to Project sites, communication, commercial bank charges, and advertising, but excluding the Remuneration of SU Contractors and the salaries and benefits of the Recipient’s civil servants.
27. “Operations Manual” means the Recipient’s manual, in form and substance acceptable to the Association, guiding implementation of the Project and meeting the requirements set out in Section I.B.1 of Schedule 2 to this Agreement.
28. “Payment Agreement” means any of the agreements referred to in Section I.E of Schedule 2 to this Agreement.
29. “Payment Service Provider” means a bank or financial institution, including a microfinance institution, or any other entity having the capacity to provide e-Payment services and comply with the obligations described in the Payment Agreement, and duly authorized to operate and operating in the Recipient’s territory.
30. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
31. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 23, 2016, 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.
32. “Project Management Unit” or “PMU” means the management unit to be established by the Recipient within DOCR to specifically manage the Project, and referred to in Section I.A.1 (c) of Schedule 2 to this Agreement.
33. “Public Procurement Act” means the Recipient’s Public Procurement Act, 2063 (2007), as amended on July 14, 2016.

34. “Remuneration of SU Contractors” means the remuneration of service delivery contractors assigned to the Service Units and recruited by the Recipient in accordance with Section V of the Consultant Guidelines.
35. “Service Unit” or “SU” means any of the units to be established under Part 3.2 of the Project at the district or sub-district levels in accordance with selection criteria and under terms of reference acceptable to the Association and set forth in the Operations Manual.
36. “Social Security Allowance” means a transfer of cash provided to Enrolled Beneficiaries, on a non-reimbursable basis, in accordance with the Social Security Program Operation Procedure.
37. “Social Security Program Operation Procedure” means MOFALD’s document dated April 6, 2016, containing the detailed procedures for the implementation of the SSA Program, including, *inter alia*: (i) the requirements to be fulfilled by Municipalities, DDCs, VDCs, and Eligible Beneficiaries as pre-requisites for the provision of Social Security Allowances; (ii) the criteria for identification, registration and selection of Eligible Beneficiaries; (iii) the procedures for payments, and the amount, of Social Security Allowances; and (iv) as applicable, the mechanisms for verification of compliance with payment of Social Security Allowances and eligibility, as the same may be amended from time to time with the prior written agreement of the Association.
38. “SSA Districts” means the Recipient’s districts of Banke, Bhaktapur, Chitwan, Dadeldhura, Dailekh, Dhankuta, Dhanusa, Gulmi, Jhapa, Jumla, Kailali, Kanchapur, Kaski, Kathmandu, Morang, Palpa, Parsa, Rupandehi, Sindhupalchowk, Siraha, Sunsari, Surkhet, Syangja, Tanahun, and Udaypur.
39. “SSA Payment Period” means a period of four calendar months.
40. “SSA Payment Strategy” means DOCR’s strategy to be approved by MOFALD, setting out, *inter alia*, the specific objectives of improving the delivery of Social Security Allowances including through the use of e-Payments, clearly defined areas of actions (components), specific arrangements for the selection of payment methods (including choice of technology, 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) and measures to ensure effective control and accountability of the payment delivery and accessibility and convenience for Eligible Beneficiaries.
41. “SSA Program” means the social security allowance program delivered by MOFALD/DOCR in accordance with the Social Security Program Operation Procedure to Eligible Beneficiaries belonging to vulnerable segments of the population, such as the elderly, single women, persons with disability, endangered

ethnicities, and children under five in Karnali region and dalit households nationwide.

42. “Training and Workshops” means reasonable and necessary costs of training related to Project implementation, 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.
43. “VDC” means Village Development Committee, a village-level local body established within the Recipient’s territory pursuant to the Local Self Governance Act, 2055 (1999), or any successor thereto.
44. “Vulnerable Communities” means vulnerable communities as described in the Vulnerable Community Development Plan, and including those social groups in the Recipient’s territory that have a distinct, vulnerable, social and cultural identity, and that possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language.
45. “Vulnerable Community Development Plan” means the Recipient’s plan dated September 26, 2016, setting out a program of actions, policies and strategies designed to protect Vulnerable Communities affected by Project activities and to maximize the benefits accruing to such peoples and communities under the Project, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to such plan.
46. “Ward” means a ward-level administrative subdivision of the Recipient, or any successor thereto.