
CREDIT NUMBER 6487-NP

Financing Agreement

(Youth Employment Transformation Initiative Project)

Between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

November 27, 2019

CREDIT NUMBER 6487-NP

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date 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) 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 eighty-six million four hundred thousand Special Drawing Rights (SDR86,400,000) (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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are February 15 and August 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 MOLESS in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the adoption of the Project Operations Manual in form and substance satisfactory to the Association in accordance with Section I.B.1. of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.03. 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 V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Secretary, Ministry of Finance of the Recipient, or Joint Secretary of the International Economic Cooperation Coordination Division, Ministry of Finance.

- 5.02. 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

(b) the Recipient's Electronic Address is:

Facsimile: E-mail:
(977-1) 4211-164 secretary@mofgov.np

- 5.03. 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:
248423 (MCI) 1-202-477-6391

AGREED as of the Signature Date.

NEPAL

By



Authorized Representative

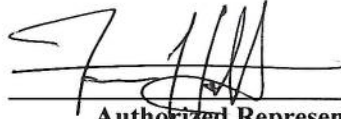
Name: Rajan Khanal

Title: Finance Secretary

Date: November 27, 2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Faris H. Haddad-Zerrun

Title: Country Manager

Date: November 27, 2019

SCHEDULE 1

Project Description

The objective of the Project is to improve employment services and labor market outcomes, especially for Youth.

The Project consists of the following parts:

Part 1: Strengthening of Employment Promotion Systems and Services

- 1.1. *Increasing access to employment opportunities.* Supporting the effective and systematic provision of employment promotion and unemployment support services through, *inter alia*: (i) strengthening the capacity of ESCs to deliver their core functions, including outreach, registration of unemployed individuals and other jobseekers, and profiling and referrals to relevant jobs; (ii) supporting individuals registered at the ESCs to identify and access tailored employment support options; (iii) supporting effective PMEP implementation; and (iv) providing additional employment services for women in select locations to help them enter and navigate the job market.
- 1.2. *Developing a holistic national employment management information system (NEMIS).* Supporting the enhancement and integration of information management systems necessary for the efficient and effective functioning of employment promotion services (including PMEP) through, *inter alia*: (i) strengthening the unemployment and jobseeker registration, monitoring, and updating functions; (ii) enhancing the temporary employment module; (iii) expanding the jobs portal functionality; and (iv) integrating other relevant information management systems into a holistic NEMIS.

Part 2: Improving labor market outcomes of the vulnerable

- 2.1. *Creating Temporary Employment opportunities in the maintenance of public assets and provision of services.* Providing cash benefits for up to 100 days at the daily minimum wage as per the PMEP Guidelines to an average of 40 beneficiaries of Temporary Employment per LL taking into the account the gender balance of such beneficiaries.

- 2.2 *Improving the employability of Temporary Employment beneficiaries.* Supporting the design and implementation of up to 50 days of on-the job and life-skill training activities (Temporary Employment Plus) remunerated at the daily minimum wage as per the PMEPE Guidelines for beneficiaries of Temporary Employment as set out in the POM consisting of, *inter alia*, (i) delivering on-the-job training modules focused on specific trades; and (ii) delivering life-skill training to promote goal-setting, decision-making and financial literacy.

Part 3: Project Management, Monitoring and Evaluation and Capacity Building

Supporting the provision of technical and operational assistance for, *inter alia*: (i) establishing and maintaining effective implementation and coordination arrangements for the Federal Government, Provincial Governments and LLs; (ii) establishing a monitoring and evaluation mechanism to track progress and conduct evaluation; (iii) conducting relevant sectoral policy reviews; and (iv) delivering capacity building programs for Project implementation, management, PMEPE service delivery, and cross-components activities, including capacity building activities for LLs to improve the administrative capacity of ESCs to deliver their core functions and manage the Temporary Employment Plus.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest the overall responsibility for the implementation of the Project in MOLESS. To that end, the Recipient shall establish and thereafter maintain throughout the period of implementation of the Project:
 - a) not later than two (2) months after the Effective Date, an Inter-Ministerial Project Steering Committee with composition and terms of reference satisfactory to the Association;
 - b) not later than three (3) months after the Effective Date, a Project Technical Committee to provide technical guidance to the Project consisting of officials and technical experts of relevant ministries/agencies as well as the private sector; and
 - c) not later than two (2) months after the Effective Date, a Project Management Unit, which will oversee the overall Project implementation, manage the day-to-day operations, including procurement, financial management, safeguards and monitoring and evaluation, and provide guidance, technical support and training to LLs, and will prepare and consolidate financial and implementation reports. The PMU shall be led by a national Project director and staffed with professionals, all of whom shall have qualifications, experience and terms of reference satisfactory to the Association.
2. The Recipient shall appoint a Provincial Project Coordinator in each of the seven Provincial Governments, who will be the Under Secretary of the respective MoSD and shall carry out monitoring and evaluation activities and coordinate between the Federal Government, the Provincial Governments and the LLs.
3. No later than two (2) months after the Effective Date, the Recipient shall assign at least two (2) finance officers to the PMU with qualifications and terms of reference acceptable to the Association.

4. Not later than six (6) months after the Effective Date, the Recipient shall hire at least one administrative support staff for each ESC with qualifications and terms of reference acceptable to the Association.
5. Not later than four (4) months after the Effective Date, the Recipient shall hire a procurement consultant with qualifications and terms of reference acceptable to the Association to support the PMU in carrying out Project procurement.
6. The Recipient, through appropriate procedures and transaction mechanisms with LLs, shall ensure that the LLs, with the support of the ESCs, are responsible for management, and basic functions of financial management, procurement and safeguards associated with their respective activities under the Project. To that end, the Recipient shall: (a) include in the Operating Guidelines, appropriate provisions to ensure that the terms of this Agreement and the POM are passed down to all LLs as special conditions for their respective Conditional Grants; and (b) ensure that all LLs receive all relevant documents describing in detail the responsibilities of all LLs in relation to the implementation of their respective activities under the Project in accordance with this Agreement.

B. Project Operations Manual

1. The Recipient shall adopt a Project Operations Manual, in form and substance satisfactory to the Association, including, *inter alia*:
 - a) the Project administrative, accounting, auditing, reporting, financial, disbursement, safeguards and procurement procedures, as agreed with the Association;
 - b) the protocols and procedures for the preparation of annual work plans and grievance redress mechanisms;
 - c) the criteria and process for the selection of beneficiaries under the Temporary Employment and Temporary Employment Plus; and
 - d) the performance indicators for the Project.
2. The Recipient shall carry out the Project in accordance with the POM. In the event of conflict between the provisions of the POM 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 POM,

whether in whole or in part, without the prior written concurrence of the Association.

C. Safeguards

1. The Recipient shall ensure that the Project is carried out with due regard to appropriate health, safety, social, and environmental standards and practices, and in accordance with the Safeguards Instruments.
2. The Recipient shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Association's Safeguard Policies and EHS Guidelines.
3. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall:
 - a) take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Reports, and promptly in a separate report whenever the Association may require, information on the status of compliance with the Safeguards Instruments, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the Safeguards Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguards Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - b) promptly notify the Association of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers.
4. The Recipient shall maintain throughout Project implementation, and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

5. Except as the Association shall otherwise agree, the Recipient shall ensure that none of the provisions of the Safeguard Instruments is abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

1. The Recipient shall furnish to the Association each Project Report not later than sixty (60) days after the end of each Fiscal Quadrimester, covering the Fiscal Quadrimester.
2. The Recipient shall carry out a comprehensive mid-term Project review under terms of reference satisfactory to the Association; and furnish to the Association a mid-term Project progress report, satisfactory to the Association, by no later than thirty (30) months after the Effective Date.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consulting services, Training and Incremental Operating Costs under Part 1, 2 and Part 3 of the Project	12,250,000	100%
(2) Transfer to LLs for		
(a) Goods, non-consulting services, consulting services, Training and Incremental Operating Costs of the ESCs under Part 1.1 and Part 2 of the Project	30,250,000	100% of the amounts disbursed
(b) Payments to Temporary Employment and Temporary Employment Plus beneficiaries under Part 2.1 and 2.2 of the Project	43,900,000	100% of the amounts disbursed
TOTAL AMOUNT	86,400,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

a) for payments made prior to the Signature Date;

- b) under Categories 2(a) and (b), until and unless:
 - (i) reports satisfactory to the Association have been furnished to the Association showing that the Recipient has implemented reporting procedures to ensure appropriate and timely reporting by the LLs to the Federal Government on the use of the proceeds of the Financing for their intended purposes; and
 - (ii) evidence satisfactory to the Association has been furnished to Association that the Recipient has complied with Section I.A.6 of Schedule 2 to this Agreement.
2. The Closing Date is June 30, 2024.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage) *
On each February 15 and August 15, commencing February 15, 2026 to and including August 15, 2057	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.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Conditional Grants” means the fiscal transfers made to LLs under Section 9 of the Intergovernmental Fiscal Arrangement Act and pursuant to Article 251, Section 1(c) of the Recipient’s Constitution, which are conditional upon the respective LL abiding by certain specified terms and conditions.
4. “Constitution” means the Recipient’s Constitution promulgated on September 20, 2015 (2072.6.3).
5. “EHS Guidelines” means the World Bank Group Environmental, Health and Safety Guidelines published on www.ifc.org/ehsguidelines, as said guidelines are updated from time to time.
6. “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework prepared and adopted by the Recipient, satisfactory to the Association, disclosed in-country on May 29, 2019, and the Association’s website on June 3, 2019, setting out the principles, rules, guidelines and procedures to screen and assess the potential adverse environmental and social risks and impacts (including health and safety issues) of Project activities, including the risks of gender-based violence and sexual exploitation and abuse, adopt measures to avoid, reduce, mitigate or offset environmental and social adverse risks and impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse, procedural, budget and institutional arrangements and actions needed to implement these measures, and information on the agency or agencies responsible for addressing the Projects’ risks and impacts; as well as for the preparation of environmental and social management plans, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

7. “Environmental and Social Management Plan” or “ESMP” means the environmental and social management plan prepared and/or to be prepared by the Recipient, satisfactory to the Association, which details (a) the measures to be taken during the implementation of the Project to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; (b) the measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; (c) the procedural, budget and institutional arrangements and actions needed to implement these measures, including any schedules to such plan, and as such plan may be amended by the Recipient from time to time, with the prior written approval of the Association.
8. “ESC” means the Recipient’s employment service centers established in accordance with the PMP Guidelines at each Local Level, or any successors thereto, and “ESCs” means more than one employment service center.
9. “Federal Government” means the Government of Nepal, pursuant to Section 75(3) of the Recipient’s Constitution, as one of the three levels of government, as described under Article 56 of the Recipient’s Constitution.
10. “Fiscal Quadrimester” means, each of the following four (4) month periods within the same Fiscal Year, namely on or around: (a) July 16 to November 15; (b) November 16 to March 15; and (c) March 16 to July 15.
11. “Fiscal Year” or “FY” mean the twelve-month period corresponding to the Recipient’s fiscal year, commencing on or around July 16 of a calendar year and concluding on or around July 15 of the next calendar year.
12. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018.
13. “Incremental Operating Costs” means reasonable costs incurred by the Recipient for purposes of the management and supervision of the Project, including costs of office utilities and supplies, communication, printing services, bank charges, advertising expenses, vehicle rental, operation and maintenance of vehicles, office equipment and facilities, travel, lodging and per diem expenses, and salaries and allowances of contractual staff (other than consultants) for the Project; but excluding salaries and allowances of the Recipient’s civil servants or other regular government staff.

14. “Intergovernmental Fiscal Arrangement Act” means the Recipient’s Intergovernmental Fiscal Arrangement Act (No. 21, dated October 13, 2017), providing the legal framework for resource allocation among the three levels of government.
15. “Inter-Ministerial Project Steering Committee” or “PSC” means the inter-ministerial Project steering committee chaired by the MOLESS Secretary and referred to in Section I.A.1(a). of Schedule 2 to this Agreement.
16. “Local Level” or “LL” means one of the three levels of government, as described under Article 56 of the Recipient’s Constitution, and “LLs” means more than one local government.
17. “MOLESS” means the Recipient’s Ministry of Labor, Employment and Social Security, or any successor thereto.
18. “MoSD” means each Provincial Government’s Ministry of Social Development, or any successor thereto.
19. “NEMIS” means the Recipient’s holistic National Employment Management Information System consisting of various modules.
20. “Operating Guidelines” means the operating guidelines issued by MOLESS for the implementation of Conditional Grants by the LLs under this Project, which, *inter alia*, describe the specific obligations applicable to the LLs in accordance with this Agreement.
21. “PMEP” or “Prime Minister Employment Program” means the Recipient’s flagship employment program, which was announced by the Recipient on February 13, 2019.
22. “PMEP Guidelines” means the Prime Minister Employment Program’s operations guidelines approved by the Recipient’s Council of Ministers on February 8, 2019.
23. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
24. “Project Management Unit” or “PMU” means the Project management unit to be established by the Recipient within MOLESS to specifically manage the Project and referred to in Section I.A.1(c) of Schedule 2 to this Agreement.

25. "Project Operations Manual" or "POM" means the manual referred to in Section I.B. of Schedule 2 to this Agreement to be prepared and adopted by the Recipient in a manner and substance satisfactory to the Association for the purposes of carrying out the Project.
26. "Project Technical Committee" or "PTC" means the Project Technical Committee referred to in Section I.A.1(b) of Schedule 2 to this Agreement.
27. "Provincial Government" means one of the three levels of government, as described under Article 56 of the Recipient's Constitution, and "Provincial Governments" means more than one Provincial Government.
28. "Provincial Project Coordinator" means Project coordinator in each of the seven (7) Provincial Governments referred to in Section I.A.2. of Schedule 2 to this Agreement, who will be the Under Secretary of the relevant MoSD and shall carry out monitoring and evaluation activities and coordinate between Federal Government, the Provincial Governments and the LLs.
29. "Safeguard Instruments" means collectively, the ESMF, which includes the VCDF, as well as the ESMP(s), and VCDP(s), as applicable, and "Safeguard Instrument" means any of such Safeguards Instruments.
30. "Safeguard Policies" means, the Operational Policies (OPs) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment) and OP/BP 4.10 (Indigenous Peoples); they can be found at <https://policies.worldbank.org>.
31. "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.
32. "Temporary Employment" means work of up to 100 days per person in a Fiscal Year generated by LLs.
33. "Temporary Employment Plus" means up to 50 days of on-the-job training and life-skills training provided to the beneficiaries of Temporary Employment.
34. "Training" referred to in Category 1 and 2(a) of Section III.A. of Schedule 2 means the training, workshops and conferences provided/undertaken under the Project to the public officials of the Recipient and LLs and/or Project beneficiaries, including expenditures for the cost of design, planning and implementation of training,

training materials, facilities, course fees, travel, accommodation, allowances and subsistence for trainees in connection with these activities.

35. "Transfer to LLs" means the fiscal transfers made to the LLs in the form of Conditional Grants.
36. "VCDF" means Vulnerable Community Development Framework, a document of the Recipient incorporated into the ESMF, setting forth the principles and procedures, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse impact to Vulnerable Communities under the Project, including measures designed to ensure meaningful consultation with, and informed participation of, the Vulnerable Communities in the design and implementation of Project activities, as well as their participation in the envisioned culturally appropriate and socially inclusive benefits thereof; as such framework may be amended, supplemented or otherwise modified, from time to time, with the prior consent of the Association.
37. "VCDP" means each of the vulnerable communities development plans prepared, and/or to be prepared, by the Recipient in accordance with the provisions and requirement of the VCDF, and in form and substance satisfactory to the Association, setting forth the principles and procedures designed to ensure meaningful consultation with, and informed participation of Vulnerable Communities in the design and implementation of the Project activities, as well as their participation in the envisioned culturally appropriate and socially inclusive benefits thereof, as each such plan as such framework may be amended, supplemented or otherwise modified, from time to time, with the prior consent of the Association.
38. "Vulnerable Communities" means any distinct, vulnerable, social and cultural group/community 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 related area, and to the natural resources in those habitat and territories; (iii) has customary cultural, economic, social and political institutions that are separate from those of the dominant society and culture; and (iv) has an indigenous language, often different from the official language of the Recipient. For the purposes of this Project, this also includes the communities listed as priority groups in the PMEP.
39. "Youth" means individuals aged 16-40 years.