OFFICIAL DOCUMENTS

CREDIT NUMBER 5913-NP

Financing Agreement

(Health Sector Management Reform Program-for-Results)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated MARCH 2, 2017
FINANCING AGREEMENT

AGREEMENT dated March 2, 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 program described in Schedule 1 to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 4 to this Agreement.
2.07. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall carry out through the MoH 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 Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. The Recipient’s Address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

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

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

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

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

NEPAL

By

[Signature]
Authorized Representative

Name: Shanta Raj Subedi
Title: Finance Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Takuya Kamaru
Title: Country Manager


SCHEDULE 1

Program Description

The objective of the Program is to improve efficiency in public resource management systems of the health sector in Nepal.

The Program is a subset of the NHSS and focuses on specific NHSS outcomes in the following critical areas of public management reforms.

Result Area 1: Improved Public Procurement

Supporting the Recipient’s plan for strengthening procurement and supply chain management by: (a) establishing mechanisms for logistics management and quality assurance; and (b) enhancing the capacity of the LMD through the use of: (i) e-procurement; (ii) standard drug and equipment specifications; and (iii) a grievance redressal mechanism.

Result Area 2: Improved Financial Management

Strengthening of the MoH’s capacity to manage public financial management cycle of planning, budgeting, expenditure execution and monitoring through linking all spending units in the MoH with an online expenditure tracking and management system, and through improving the expenditure reporting and response to the annual audit report within the MoH.

Result Area 3: Improved Reporting and Information Sharing for Enhanced Accountability and Transparency

Supporting the MoH’s system enhancement to capture and utilize health service data to improve its decision making and accountability, through strengthening availability and analysis of annual disaggregated data and piloting of citizen engagement to enhance the accountability mechanisms.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation upon the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation upon the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

(a) Without limitation upon the generality of Part A of this Section I, the Recipient shall maintain, throughout the period of implementation of the Program, the Program Steering Committee with membership, powers, functions and competencies acceptable to the Association, as shall be required to provide policy guidance for, and exercise general oversight of, the implementation of Program activities, including inter-ministerial and sectoral coordination of Program activities.

(b) Without limitation upon the generality of Part A of this Section I, the Recipient shall maintain, throughout the period of implementation of the Program, the DLI Management and Coordination Unit, housed within MoH, under terms of reference satisfactory to the Association: (i) headed by a Program coordinator; (ii) assisted by competent staff, all with experience and qualification; and
(iii) provided with such powers, financial resources, functions and competencies, appropriate to fulfill their respective functions under the Program.

2. Additional Program Implementation Arrangements

Without limitation upon the generality of Part A of this Section I, the Recipient shall carry out the Program Action Plan in accordance with the schedule set out in the said Program Action Plan in a manner satisfactory to the Association.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost US$50,000,000 equivalent or more per contract; (2) goods, estimated to cost US$30,000,000 equivalent or more per contract; (3) non-consulting services, estimated to cost US$20,000,000 equivalent or more per contract; or (4) consultants' services, estimated to cost US$15,000,000 equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one (1) fiscal year, 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. Program Financial Audits

Without limitation upon the generality of Section IA of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Unless otherwise agreed by the Association, 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.
C. Independent Verification Agency

1. Without limitation upon the generality of Section I.A of this Schedule 2, the Recipient shall maintain, throughout the period of implementation of the Program, the Independent Verification Agency in accordance with the terms of the Memorandum of Understanding between the MoH and the Independent Verification Agency.

2. The Recipient shall furnish to the Independent Verification Agency and the Association any information and/or documentation that the Independent Verification Agency and/or the Association shall reasonably require for the monitoring, audit, analysis and/or verification of the achievement/fulfillment of the DLRs set out in Schedule 3 to this Agreement.

Section IV. Withdrawal of Financing Proceeds

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 may specify from time to time by notice to the Recipient to finance the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); all as set forth in paragraph 2 of this Part A and the table in Schedule 3 to this Agreement.

2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) (“Category”), as well as the allocation of the amounts of the Financing to each Category. Notwithstanding the foregoing, the actual amount authorized for disbursement against each Disbursement Linked Result corresponding to a Disbursement Linked Indicator (“Allocated Amount”) and/or the formula for its determination are set forth in Schedule 3 to this Agreement.
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) <strong>DLI #1</strong>: Percentage of contracts managed by the LMD through PPMO’s e-procurement portal.</td>
<td>10,760,000</td>
</tr>
<tr>
<td>(2) <strong>DLI #2</strong>: Production and submission of the annual report on grievances received and addressed through a web-based grievance redressal mechanism.</td>
<td>7,890,667</td>
</tr>
<tr>
<td>(3) <strong>DLI #3</strong>: Percentage of procurements done by the LMD using standard specifications.</td>
<td>10,042,667</td>
</tr>
<tr>
<td>(4) <strong>DLI #4</strong>: Percentage of district stores reporting based on the LMIS.</td>
<td>11,477,333</td>
</tr>
<tr>
<td>(5) <strong>DLI #5</strong>: Percentage reduction of stock-outs of tracer drugs in district stores.</td>
<td>7,173,333</td>
</tr>
<tr>
<td>(6) <strong>DLI #6</strong>: Percentage improvement in the EVM Score over 2014 baseline.</td>
<td>2,869,333</td>
</tr>
<tr>
<td>(7) <strong>DLI #7</strong>: Percentage of the MoH spending entities submitting annual plan and budget using eAWPB.</td>
<td>10,760,000</td>
</tr>
<tr>
<td>(8) <strong>DLI #8</strong>: Percentage of the MoH’s annual spending captured by the TABUCS.</td>
<td>14,346,667</td>
</tr>
<tr>
<td>(9) <strong>DLI #9</strong>: Percentage of audited spending units responding to the OAG’s primary audit queries within thirty-five (35) days.</td>
<td>10,760,000</td>
</tr>
<tr>
<td>(10) <strong>DLI #10</strong>: Percentage of districts which have all facilities reporting annual disaggregated data using DHIS2.</td>
<td>14,346,667</td>
</tr>
<tr>
<td>(11) <strong>DLI #11</strong>: Operationalization of the citizen feedback mechanisms and systems for public reporting.</td>
<td>7,173,333</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>107,600,000</strong></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

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

(a) for purposes of Section 2.03 of the General Conditions (renumbered as such pursuant to paragraph 6 of Section II of the Appendix to this Agreement and relating to Program Expenditures), for DLRs achieved prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 14,340,000 may be made for such DLRs achieved prior to this date but on or after July 16, 2016; and

(b) for any DLR set forth in Schedule 3 and corresponding to a DLI under Categories (1) through (11), until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1(b) of this Section, if the Association is not satisfied that any of the DLR(s) set forth in Schedule 3 to this Agreement has/have been achieved by the end of the Fiscal Year in which the said DLR(s) is/are set to be achieved, and/or the Allocated Amount(s) of such DLR(s) has/have not been fully withdrawn, the Association may, at any time by notice to the Recipient, decide, in its sole discretion, to:

(a) authorize the withdrawal of such lesser amount of the respective Allocated Amount(s) then allocated to said DLR(s) which, in the opinion of the Association, corresponds to the extent of achievement of said DLR(s);

(b) withhold all or portion of the proceeds of the Financing then allocated to said DLR(s) until such DLR(s) is/are satisfactorily met;

(c) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR(s) to any other DLR(s); and/or

(d) cancel all or a portion of the proceeds of the Financing then allocated to said DLR(s).

3. The Closing Date is July 15, 2021.

4. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.
## SCHEDULE 3

Disbursement-Linked Indicators, Disbursement-Linked Results and Allocated Amount(s) (expressed in SDR) Applicable to the Program

<table>
<thead>
<tr>
<th>Disbursement-Linked Indicators</th>
<th>Results to be Achieved in Year 1 (July 16, 2016 – July 15, 2017)</th>
<th>Results to be Achieved in Year 2 (July 16, 2017 – July 15, 2018)</th>
<th>Results to be Achieved in Year 3 (July 16, 2018 – July 15, 2019)</th>
<th>Results to be Achieved in Year 4 (July 16, 2019 – July 15, 2020)</th>
<th>Results to be Achieved in Year 5 (July 16, 2020 until Closing Date)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DLI 1:</strong> Percentage of contracts managed by LMD through PPMO’s online portal;</td>
<td><strong>DLR 1.1:</strong> Training on the use of online e-procurement completed for at least 20 MoH staff (717,333)</td>
<td><strong>DLR 1.3:</strong> At least 60% of value of total contracts managed by LMD done through online e-procurement of Year 2</td>
<td><strong>DLR 1.4:</strong> 70% of value of total contracts managed by LMD done through online e-procurement of Year 3</td>
<td><strong>DLR 1.5:</strong> 80% of value of total contracts managed by LMD done through online e-procurement of Year 4</td>
<td><strong>DLR 1.6:</strong> 90% of value of total contracts managed by LMD done through online e-procurement of Year 5</td>
</tr>
<tr>
<td><strong>DLR 1.2</strong> Standard Bidding documents for drugs and equipment developed for online e-procurement (717,334)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Allocated Amount(s)</strong></td>
<td>(1,434,667)</td>
<td>(2,152,000)</td>
<td>Maximum (2,869,333) based on the following rule: (2,152,003) for 60% of total contracts managed</td>
<td>Maximum (2,152,000) based on the following rule: (1,434,667) for 70% of total contracts managed</td>
<td>Maximum (2,152,000) based on the following rule: (1,434,667) for 80% of total contracts managed</td>
</tr>
</tbody>
</table>
by the LMD done through e-procurement and (71,733) for every percentage point over 60% up to a maximum of 70% in Year 3

by the LMD done through e-procurement and (71,733) for every percentage point over 70% up to a maximum of 80% in Year 4

by the LMD done through e-procurement and (71,733) for every percentage point over 80% up to a maximum of 90% in Year 5

| DLI 2: Production and submission of Annual Report on grievances received and addressed through a web based Grievance Redressal Mechanism. | DLR 2.1: Guidelines for Grievance Redressal Mechanism endorsed by MoH | DLR 2.2: Web-based Grievance Redressal Mechanism established and functioning and Training completed for various levels of staff responsible for grievance handling. | DLR 2.3: Annual Report on grievances received and addressed | DLR 2.4: Annual Report on grievances received and addressed | DLR 2.5: Annual Report on grievances received and addressed |
|---|---|---|---|---|
| **Allocated Amount(s)** | (1,434,667) | Maximum (2,152,000) based on the following rule: (1,076,000) for Web-based Grievance Redressal | (1,434,667) | (1,434,667) | (1,434,666) |
Mechanism established and functioning; and (1,076,000) for Training completed for various levels of staff responsible for grievance handling)

| DLI 3: Percentage of procurements done by LMD using standard specifications | DLR 3.1: MoH endorses standard specifications for basic package of free drugs to be procured by LMD |
| DLR 3.2: For Year 2 procurement - 70% of procurement of basic package of free drugs based on the use of standard specifications¹ (1,434,667) | DLR 3.4: For Year 3 procurement - 80% procurement of basic package of free drugs and essential equipment based on the use of standard specifications |
| DLR 3.3: MoH endorses standard specifications for essential equipment to be procured by LMD² (717,333) | DLR 3.5: For Year 4 procurement, 90% procurement of basic package of free drugs and essential equipment based on the use of standard specifications |

¹ In the event standard specifications are not being used for specific drugs, the Recipient will furnish to the Association an explanation of the deviation in a manner satisfactory to the Association. The revised technical specification will have to be disclosed publicly prior to issuing the tender notice.

² Essential equipment list will be provided to the Association by the MOH.
<table>
<thead>
<tr>
<th><strong>Allocated Amount(s)</strong></th>
<th>(2,869,333)</th>
<th>(2,152,000)</th>
<th><strong>Maximum</strong></th>
<th><strong>Maximum</strong></th>
<th><strong>Maximum</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>(2,152,000)</strong> based on the following rule: For Year 3 procurement - (1,076,000) for 80% procurement of basic package of free drugs based on the use of standard specifications; and (1,076,000.00) for 80% procurement of essential equipment based on the use of standard specifications</td>
<td><strong>(1,434,667)</strong> based on the following rule: For Year 4 procurement - (717,333) for 90% procurement of basic package of free drugs based on the use of standard specifications; and (717,334) for 90% procurement of essential equipment based on the use of standard specifications</td>
<td><strong>(1,434,667)</strong> based on the following rule: For Year 5 procurement - (717,333) for 90% procurement of basic package of free drugs based on the use of standard specifications; and (717,334) for 90% procurement of essential equipment based on the use of standard specifications</td>
</tr>
<tr>
<td><strong>DLI 4</strong>: Percentage of district stores reporting based on LMIS</td>
<td>DLR 4.1: LMIS installed in all warehouses of the center and district stores of two Regions</td>
<td>DLR 4.2: Training on, and installation and operation of, LMIS completed for all central warehouses and district stores of at least two Regions; and baseline data generated for</td>
<td>DLR 4.3: LMIS reports for program Year 4 received from central and all district stores</td>
<td>DLR 4.4: LMIS reports for program Year 5 received from central and all district stores</td>
<td></td>
</tr>
<tr>
<td>Allocated Amount(s)</td>
<td>stock-outs of tracer drugs</td>
<td>Maximum based on the following rule: (2,869,333) for LMIS reports for program Year 4 received from central warehouses and all district stores of two Regions and additional (358,666) for each additional Region</td>
<td>Maximum (4,304,000) based on the following rule: (3,228,000) for LMIS reports for program Year 5 received from central warehouses and all district stores of two Regions, and additional (424,900) for each additional Region</td>
<td></td>
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<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-0-</td>
<td>(2,152,000.00)</td>
<td>(2,152,000.00)</td>
<td>(2,152,000.00)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLI 5: Percentage reduction of stock outs of tracer drugs in district stores</td>
<td>-0-</td>
<td>DLR 5.1: 15% reduction in stock-outs of tracer drugs over the baseline established in Year 3 in district stores through the LMIS for at least two Regions</td>
<td>DLR 5.2: 25% reduction in stock-outs of tracer drugs over the baseline established in Year 3 in district stores through the LMIS for at least two Regions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocated Amount(s)</td>
<td></td>
<td>(2,869,333)</td>
<td>Maximum (4,304,000) based on the following rule: (4,304,000) for 25%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

358,666
<table>
<thead>
<tr>
<th>DLI 6: Percentage improvement in EVM score over 2014 baseline</th>
<th>DLR 6.1: Average EVM score of 70% (based on 2016 survey), with any 3 attributes in EVM score achieving 80%</th>
<th>DLR 6.2: Average EVM score of 80% (based on 2018 survey) with any 6 attributes in EVM score achieving 80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated Amount(s)</td>
<td>Maximum (1,434,666) based on the following rule: (717,333) for an average EVM score of 70%; and (717,333) for any 3 attributes in EVM score achieving 80%</td>
<td>Maximum (1,434,667) based on the following rule: (717,333) for an average EVM score of 80%; and (717,334) for any 6 attributes in EVM score achieving 80%</td>
</tr>
<tr>
<td>DLI 7: Percentage of all MoH spending entities submitting annual plan and budget using eAWPB</td>
<td>DLR 7.1: MoH and all its departments, divisions, and centers are given access to operate on eAWPB</td>
<td>DLR 7.2: eAWPB used for planning and budget submission by MoH and all departments, divisions, and centers</td>
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<tr>
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<td>---</td>
</tr>
<tr>
<td><strong>Allocated Amount(s)</strong></td>
<td>(1,434,667)</td>
<td>(717,334)</td>
</tr>
<tr>
<td>DLI 8: Percentage of MoH annual spending captured by TABUCS</td>
<td>DLR 8.1: MoH has issued a circular mandating expenditure reporting through TABUCS by all spending units</td>
<td>DLR 8.2: 80% of MoH's spending in Year 2 captured by TABUCS</td>
</tr>
<tr>
<td><strong>Allocated Amount(s)</strong></td>
<td>(2,869,333)</td>
<td>(2,869,333)</td>
</tr>
<tr>
<td>DLI 9: Percentage of audited spending units responding to OAG's primary audit queries within 35 days</td>
<td>DLR 9.1: All reports containing primary audit queries received by audited spending units are available at MoH; and inventory of responses by date provided by individual audited spending units are available at MoH</td>
<td>DLR 9.2: 10 percentage points increase in audited institutions responding to primary audit queries within mandated 35 days over percentage derived from the MoH inventory of responses in Year 2</td>
</tr>
<tr>
<td>Allocated Amount(s)</td>
<td>Maximum (2,152,000) based on the following rule: (1,434,667) for all reports containing primary audit queries received by audited spending units are available at the MoH; and (717,333) for inventory of responses by date provided by individual audited spending units available at the MoH</td>
<td>responses in Year 1</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td></td>
<td>(2,152,000)</td>
<td>(2,152,000)</td>
</tr>
</tbody>
</table>
2 rolled out up to the DHO level

<table>
<thead>
<tr>
<th>DLI 11: Citizen feedback mechanisms and systems for public reporting operational</th>
<th>DLR 11.1: Citizen engagement mechanism options and public reporting systems developed by MoH for citizens' feedback, including on availability of drugs and facility level services and disaggregated by gender</th>
<th>DLR 11.2: Pilot of citizen engagement mechanisms completed in 6 targeted districts</th>
<th>DLR 11.3: Citizen feedback reports produced at the end of each pilot, made available on the MoH's website for the 6 targeted pilots</th>
<th>DLR 11.4: Citizen feedback reports produced at the end of each pilot, made available on the MoH's website for the 6 targeted pilots.</th>
<th>DLR 11.5: Citizen feedback reports produced at the end of each pilot, made available on the MoH's website for the 6 targeted pilots.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated Amount(s)</td>
<td>(1,434,667)</td>
<td>(1,434,667)</td>
<td>Maximum (1,434,667) based on the following rule: (789,067) for citizen feedback reports produced at the end of each pilot, made available on the MoH's website for the 3 targeted pilots; and (215,200) for reports from every additional targeted pilot up to a maximum of 3</td>
<td>Maximum (1,434,667) based on the following rule: (789,067) for citizen feedback reports produced at the end of each pilot, made available on the MoH's website for the 3 targeted pilots; and (215,200) for reports from every additional targeted pilot up to a maximum of 3</td>
<td>(1,434,665)</td>
</tr>
<tr>
<td>additional targeted pilots</td>
<td>additional targeted pilots</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SCHEDULE 4

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15, commencing April 15, 2023 to and including October 15, 2054</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Allocated Amount(s)" means the amount allocated to each individual DLR, or determined for each DLR pursuant to the formula detailed in Schedule 3 to this Agreement, as such amount might be increased, reallocated and/or cancelled (whether partially or in its entirety) by the Association, from time to time as the case may be, in accordance with the provisions of Section IV.B.3 of Schedule 2 to this Agreement.

2. "Annual Work Plan and Budget" or "AWPB" means each plan to be prepared by MoH under the NHSS for each fiscal year of the Recipient.


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

5. "DHIS 2" means the District Health Information System 2, a free open-source software program to process data reporting, management and analysis in the health sector.

6. "DHO" means the District Health Office, which is the MoH’s office at the district level, or any successor thereto.

7. "Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to the said Category as set forth in the table in Section IV.A.2 of Schedule 2 and Schedule 3 to this Agreement.

8. "DLI Management and Coordination Unit” means a unit established within MoH and notified to the Association on April 23, 2016 through the communication from the Scholarship, Training and HR Development Section of the MoH (Reference No. 1/362) entitled “Formation of DLI Committee”.

9. "Disbursement Linked Result” or “DLR” means each of the results set forth in Schedule 3 to this Agreement in the columns entitled “Results to be Achieved in Year 1 (FY 2016/17)”, “Results to be Achieved in Year 2 (FY 2017/18)”, “Results to be Achieved in Year 3 (FY 2018/19)”, “Results to be Achieved in Year 4 (FY 2019/20)”, “Results to be Achieved in Year 5 (FY 2020/21 until the Closing Date)”, as applicable.
10. "eAWPB" means the electronic Annual Work Plan and Budget, a web-based plan and budget uploaded electronically by planners within the MoH's divisions and centers for consolidation by the MoH.

11. "EVM Score" means the Effective Vaccine Management Score, a standard global score measured biannually and consisting of specific parameters to determine management and quality of vaccine management.

12. "Fiscal Year" or "FY" means the Recipient's fiscal year July 16 through July 15.

13. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

14. "Independent Verification Agency" means an independent institution which has been selected based on an established criteria set out in the terms of reference acceptable to the Association, and verifies the achievement of the DLI based on a detailed DLI verification protocol jointly endorsed by the MoH and the Association.

15. "LMD" means the Logistics Management Division, the MoH's division responsible for, among others, the procurement of essential drugs, vaccines, medical equipment, and distribution thereof, or any successor thereto.

16. "LMIS" means the Logistic Management Information System, the web-based system managed by the LMD which processes information on the supply chain management and inventory of drugs.

17. "MoH" means the Recipient's Ministry of Health, or any successor thereto.

18. "Memorandum of Understanding" or "MoU" mean the memorandum of understanding between the MoH and the Independent Verification Agency dated September 25, 2016, setting out the terms and conditions, acceptable to the Association, under which the Independent Verification Agency shall carry out the monitoring, audit, analysis and/or verification of the achievement/fulfillment of the DLRs.

19. "NHSS" means the Nepal Health Sector Strategy (FY2015/2020), setting forth the Recipient's strategy in the health sector to guarantee access to basic health services and achieve universal health coverage.

20. "OAG" means the Office of the Auditor General of the Recipient, or any successor thereto.

22. “Program Action Plan” means the action plan agreed between the Association and the Recipient dated September 18, 2016 and referred to in Paragraph 2 of Section I.C of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.

23. “Program Fiduciary and Environmental and Social Systems” means the Recipient’s systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

24. “Program Steering Committee means a committee established and notified to the Association on April 23, 2016 through the communication from the Scholarship, Training and HR Development Section of the MoH (Reference No. 1/361) entitled “Formation of Project Steering Committee”.

25. “Region” means one of the five administrative development regions in Nepal, or any successor thereto.

26. “TABUCS” means the Transaction Accounting and Budget Control System, a financial management information system of the MoH for better management of payments, receipts and expenditures.

27. “Year” means any of the Years 1 through 5 of Program implementation, and the context shall determine.

28. “Year 1” means the first year of implementation of Program activities, expected to take place in Fiscal Year 2016/17 in order to achieve the results shown in the second column of the table in Schedule 3 to this Agreement.

29. “Year 2” means the second year of implementation of Program activities, expected to take place in Fiscal Year 2017/18 in order to achieve the results shown in the third column of the table in Schedule 3 to this Agreement.

30. “Year 3” means the third year of implementation of Program activities, expected to take place in Fiscal Year 2018/19 in order to achieve the results shown in the fourth column of the table in Schedule 3 to this Agreement.

31. “Year 4” means the fourth year of implementation of Program activities, expected to take place in Fiscal Year 2019/20 in order to achieve the results shown in the fifth column of the table in Schedule 3 to this Agreement.
32. “Year 5” means the fifth year of implementation of Program activities, expected to take place in Fiscal Year 2020/21 in order to achieve the results shown in the sixth column of the table in Schedule 3 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “the Project Agreement” is modified to read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

3. Section 2.02, Special Commitment by the Association, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading “Applications for Withdrawal or for Special Commitment” is replaced with “Applications for Withdrawal”, and the phrase “or to request the Association to enter into a Special Commitment” is deleted.

5. The section originally numbered as Section 2.04, Designated Accounts, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), Eligible Expenditures (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;”.

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), Financing Taxes, is modified to read: “To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association.”
8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: “Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.”

9. Section 6.01, *Cancellation by the Recipient*, is modified to read: “The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance.”

10. Paragraph (d) of Section 6.03, *Cancellation by the Association*, entitled “Misprocurement”, is deleted, and subsequent paragraphs are relettered accordingly.

11. Section 6.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association*, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.

12. In the *Appendix, Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term “Special Commitment” set forth in paragraph 50 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.