



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
NEPAL-INDIA REGIONAL TRADE AND TRANSPORT PROJECT
APPROVED ON JUNE 28, 2013
TO
NEPAL

TRANSPORT

SOUTH ASIA

| | |
|---------------------------|------------------------------------------|
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ABBREVIATIONS AND ACRONYMS

| | |
|--------|-----------------------------------------------------------|
| DoR | Department of Roads |
| GoN | Government of Nepal |
| ICD | Inland Clearance Depot |
| ICRR | Implementation Completion and Results Report |
| IDA | International Development Association |
| MoICS | Ministry of Industry, Commerce and Supplies |
| MoPIT | Ministry of Physical Infrastructure and Transport |
| NIRTP | Nepal India Regional Trade and Transport Project |
| NITDB | Nepal Intermodal Transport Development Board |
| NM | Narayanghat-Mugling |
| NNSW | National Single Window |
| NTIP | Nepal Trade Information Portal |
| PDO | Project Development Objective |
| RAIMS | Road Accident Information Management System |
| SDR | Special Drawing Right |
| SRCTIP | Strategic Road Connectivity and Trade Improvement Project |
| US\$ | United States Dollar |



BASIC DATA

Product Information

| | |
|---------------------------------------------|------------------------------------------------------|
| Project ID P144335 | Financing Instrument Investment Project Financing |
| Original EA Category Full Assessment (A) | Current EA Category Full Assessment (A) |
| Approval Date 28-Jun-2013 | Current Closing Date 30-Nov-2021 |

Organizations

| | |
|-------------------|----------------------------------------------------------------------------------------------------------------------|
| Borrower NEPAL | Responsible Agency Ministry of Industry, Commerce and Supplies, Ministry of Physical Infrastructure and Transport |
|-------------------|----------------------------------------------------------------------------------------------------------------------|

Project Development Objective (PDO)

Original PDO

The Project Development Objective is to decrease transport time and logistics costs for bilateral trade between Nepal and India and transit trade along the Kathmandu-Kolkata corridor for the benefit of traders by reducing key infrastructure bottlenecks in Nepal and by supporting the adoption of modern approaches to border management.

Summary Status of Financing (US\$, Millions)

| Ln/Cr/Tf | Approval | Signing | Effectiveness | Closing | Net Commitment | Disbursed | Undisbursed |
|-----------|-------------|-------------|---------------|-------------|----------------|-----------|-------------|
| IDA-52730 | 28-Jun-2013 | 11-Jul-2013 | 10-Sep-2013 | 30-Nov-2021 | 69.00 | 59.32 | 5.51 |
| IDA-H8630 | 28-Jun-2013 | 11-Jul-2013 | 10-Sep-2013 | 30-Nov-2021 | 30.00 | 10.68 | 17.68 |



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The Nepal-India Regional Trade and Transport Project (NIRTTP: Credit No. 5273-NP and Grant No. H-863-NP) is being implemented through the Ministry of Industry, Commerce and Supplies (MoICS) and the Department of Roads (DoR) under the Ministry of Physical Infrastructure and Transport (MoPIT) for the Trade and Transport related components, respectively. The Project became effective on September 10, 2013 and currently scheduled to close on November 30, 2021.
2. The Project's first restructuring extended the closing date by 23 months from December 31, 2019 to November 30, 2021, in view to complete the two critical activities under the trade component namely, development and implementation of Nepal National Single Window (NNSW); and construction of Inland Clearance Depot (ICD) at Kathmandu. The proposed second restructuring is expected to proactively cancel the Project's unutilized IDA Grant and Credit funds that can be recommitment for use in Nepal.
3. Based on the Project's last implementation review conducted in August-September 2021, it is noted that despite the Covid-19 related challenges, the Project is on course to substantially achieving its targets by the current closing date. The key achievements under the Trade components include: (a) substantial completion of the ICD, Kathmandu and the taking over by the Nepal Intermodal Transport Development Board (NITDB); (b) completion of the ICD Bhairahawa Pavement works, and ICD Birgunj railway shed; (c) completion of the Sanitary and Phyto-Sanitary (SPS) building in Kathmandu; (d) completion of the Nepal Trade Information Portal (NTIP); and (e) soft launch of the NNSW. The key achievements under the Transport components include: (a) upgradation of Narayanghat-Mugling (N-M) Road, 33km; (b) construction of four new bridges; (c) implementation of slope stabilization works and introduction of new methods; (d) feasibility and design studies for the N-M road (financed by a follow-on IDA supported Strategic Road Connectivity and Trade Improvement Project: SRCTIP); and (e) successful piloting of Road Accident Information Management System (RAIMS) in Kathmandu valley and Kathmandu-Birgunj corridor.
4. Despite the notable progress, there are few activities that are likely to remain incomplete by the Project closing date. As such, under the Trade component, only one out of three phases of the NNSW development, is expected to be completed by the Project closing date. Similarly, under the Transport component, the last additional contract for the valley side slope stabilization works at km 17 and 26 of N-M road, is likely to spill over beyond the Project closing date. For completion of these ongoing and any other outstanding activities beyond the closing date, the Government of Nepal (GoN) has committed adequate funding from its own resources.
5. As agreed in the last review, the respective implementing agencies (MoICS and MoPIT), are expected to prepare the Borrower's Completion Assessment Report by January 31, 2022. The Bank team will carry out consultation for the same in January 2022, submit the draft of Implementation Completion and Results Report (ICRR) for GoN's review by February 2022, and deliver the final ICRR before May 2022. There are no outstanding audit reports or audit issues.



II. DESCRIPTION OF PROPOSED CHANGES

7. The total disbursements as of November 18, 2021 is SDR 49.34 million (~US\$ 70 million). This consists of US\$ 59.32 million IDA Credit and US\$ 10.68 million IDA Grant.

8. From a detailed assessment carried out during the Project's recent implementation review and the status of funds utilization and estimation provided by the respective implementing agencies, the expected total disbursement for the remaining project period is US\$10.91 million. This estimation consists of US\$ 2.04 million of IDA Credit for DoR and US\$ 8.87 million (US\$ 4.18 million IDA Credit and US\$ 4.69 million IDA Grant) for MoICS. Consequently, SDR 2.00 million (~US\$ 2.85 million) IDA Credit under DoR component and SDR 11.00 million (~US\$15.65 million) IDA Grant under MoICS component is expected to remain unutilized after the Project closure date.

9. In the above context, this restructuring is being initiated to proactively cancel the estimated unutilized funds with an expectation that they can be recommitted for further use in Nepal. Likewise, the Ministry of Finance has requested to cancel the above stated amount in a letter dated November 16, 2021, which is received by the Bank on November 18, 2021.

III. SUMMARY OF CHANGES

| | Changed | Not Changed |
|----------------------------------------------|---------|-------------|
| Cancellations Proposed | ✓ | |
| Reallocation between Disbursement Categories | ✓ | |
| Implementing Agency | | ✓ |
| DDO Status | | ✓ |
| Project's Development Objectives | | ✓ |
| Results Framework | | ✓ |
| Components and Cost | | ✓ |
| Loan Closing Date(s) | | ✓ |
| Disbursements Arrangements | | ✓ |
| Disbursement Estimates | | ✓ |
| Overall Risk Rating | | ✓ |
| Safeguard Policies Triggered | | ✓ |
| EA category | | ✓ |
| Legal Covenants | | ✓ |
| Institutional Arrangements | | ✓ |



| | | |
|---------------------------------|--|---|
| Financial Management | | ✓ |
| Procurement | | ✓ |
| Implementation Schedule | | ✓ |
| Other Change(s) | | ✓ |
| Economic and Financial Analysis | | ✓ |
| Technical Analysis | | ✓ |
| Social Analysis | | ✓ |
| Environmental Analysis | | ✓ |

IV. DETAILED CHANGE(S)**CANCELLATIONS**

| Ln/Cr/Tf | Status | Currency | Current Amount | Cancellation Amount | Value Date of Cancellation | New Amount | Reason for Cancellation |
|---------------|------------|----------|----------------|---------------------|----------------------------|---------------|--------------------------------|
| IDA-52730-001 | Disbursing | XDR | 45,800,000.00 | 2,000,000.00 | 18-Nov-2021 | 43,800,000.00 | UNDISBURSED BALANCE AT CLOSING |
| IDA-H8630-001 | Disbursing | XDR | 19,900,000.00 | 11,000,000.00 | 18-Nov-2021 | 8,900,000.00 | UNDISBURSED BALANCE AT CLOSING |

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

| Current Allocation | Actuals + Committed | Proposed Allocation | Financing % (Type Total) | |
|-------------------------------|-----------------------------------------------------------------|---------------------|--------------------------|----------|
| | | | Current | Proposed |
| IDA-52730-001 Currency: XDR | | | | |
| iLap Category Sequence No: 3A | Current Expenditure Category: Gds,Wks,NCS,CS,Trg,Wkshp Part C.1 | | | |
| 31,800,000.00 | 28,665,410.34 | 29,800,000.00 | 100.00 | 100.00 |
| iLap Category Sequence No: 3B | Current Expenditure Category: Gds,Wks,NCS,CS,Trg,Wkshp Part C.2 | | | |



The World Bank

Nepal-India Regional Trade And Transport Project (P144335)

| | | | | | |
|-------------------------------|----------------------|----------------------|-----------------------------------------------------------------|--------|--------|
| | 10,300,000.00 | 9,323,655.50 | 10,300,000.00 | 100.00 | 100.00 |
| iLap Category Sequence No: 3C | | | Current Expenditure Category: Gds,Wks,NCS,CS,Trg,Wkshp Part C.3 | | |
| | 3,700,000.00 | 2,142,532.30 | 3,700,000.00 | 100.00 | 100.00 |
| Total | 45,800,000.00 | 40,131,598.14 | 43,800,000.00 | | |

IDA-H8630-001 | Currency: XDR

| | | | | | |
|------------------------------|----------------------|---------------------|---------------------------------------------------------------|--------|--------|
| iLap Category Sequence No: 1 | | | Current Expenditure Category: Gds,Wks,NCS,CS,Trg,Wkshp Part A | | |
| | 4,600,000.00 | 965,003.12 | 1,400,000.00 | 100.00 | 100.00 |
| iLap Category Sequence No: 2 | | | Current Expenditure Category: Gds,Wks,NCS,CS,Trg,Wkshp Part B | | |
| | 15,300,000.00 | 5,160,056.05 | 7,500,000.00 | 100.00 | 100.00 |
| Total | 19,900,000.00 | 6,125,059.17 | 8,900,000.00 | | |