



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
NEPAL-INDIA REGIONAL TRADE AND TRANSPORT PROJECT
APPROVED ON JUNE 28, 2013
TO
NEPAL
December 22, 2019
TRANSPORT
SOUTH ASIA

Regional Vice President:	Hartwig Schafer
Country Director:	Idah Z. Pswarayi-Riddihough
Regional Director:	Guangzhe Chen
Practice Manager/Manager:	Shomik Raj Mehndiratta
Country Manager:	Faris H. Hadad-Zervos
Task Team Leader(s):	Deepak Man Singh Shrestha, Jan Erik Nora



ABBREVIATIONS AND ACRONYMS

ASYCUDA	Automated System for Customs Data
DOC	Department of Customs
ESMP	Environmental and Social Management Plan
ECTS	Electronic Cargo Tracking System
GON	Government of Nepal
ICB	International Competitive Bidding
ICD	Inland Clearance Depot
IDA	International Development Association
IFC	International Finance Corporation
IP	Implementation Progress
ISRR	Implementation Support Results Review
MOICS	Ministry of Industry, Commerce and Supplies
MU	Moderately Unsatisfactory
MS	Moderately Satisfactory
NCB	National Competitive Bidding
NIRTTP	Nepal India Regional Trade and Transport Project
NITDB	Nepal Intermodal Transport Development Board
NTIP	Nepal Trade Information Portal
NSW	National Single Window
PIU	Project Implementation Unit
PDO	Project Development Objective
QAC	Quality Advisory Consultant
RAIMS	Road Accident Information Management System
SDR	Special Drawing Right
SPS	Sanitary and Phyto-Sanitary
USD	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 31-Dec-2019

Organizations

Borrower NEPAL	Responsible Agency Ministry of Commerce,Department of Roads
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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

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-52730	28-Jun-2013	11-Jul-2013	10-Sep-2013	31-Dec-2019	69.00	44.95	19.24
IDA-H8630	28-Jun-2013	11-Jul-2013	10-Sep-2013	31-Dec-2019	30.00	6.15	21.81

Policy Waiver(s)

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

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status

1. The Project is currently rated as *Moderately Unsatisfactory* with regard to achievement of the Development Objective (DO) as well as the Implementation Progress (IP), mainly because of the very slow progress as well as substantial delay in addressing long-pending issues in two major and critical activities, as explained below:^[1]
 - a. **National Single Window (NSW):** At an early stage of the project period, the Bank and the Government of Nepal agreed to start the NSW only after the completion of the Automated System for Customs Data (ASYCUDA) World, a major customs reform initiative in the Department of Customs (DoC).^[2] Thus, instead of developing and/or implementing two major customs and trade facilitation initiatives in parallel, it was envisaged that the ASYCUDA and NSW would be developed in sequence and appropriately interfaced for harmonized interagency approach to trade facilitation. The procurement of NSW, in turn, was delayed in the initial phases because of the absence of a dedicated team in the Department of Customs. For example, it took nearly 15 months from the second stage bid submission, evaluation to award of contract. A dedicated Project Implementation Unit (PIU) at DoC was established in May 2019, which was followed by the formation of a Steering Committee and Technical Committee to guide the implementation. The contract for the Design, Supply and Build the NSW was awarded in June 2019 and is now in the development phase. However, in the meantime, the contract of the Quality Advisory Consultant (QAC) – a critical support for implementing the NSW – has expired, and the Government has been advised to expedite the engagement of the QAC as soon as possible.
 - b. **Inland Clearance Depot (ICD) at Chobhar, Kathmandu:** The tender process for construction of the ICD was initiated in 2018 after an extended period of identification of available land and subsequent delay in land ownership transfer. The two works contracts (ICB and NCB) for the ICD were awarded in July 2018. While construction activities were initiated, local groups voiced grievances related to historical land issues, salary claims of erstwhile employees of Himal Cement Company Limited, and environmental and socio-cultural conservation demands, and stopped the works from August 2018 to January 2019, resulting in significant delays in the construction. The Bank informed the government that no disbursement would be made against this component until grievances of the communities were addressed and the process of grievance redressal documented. The Government constituted a 2-Tier Grievance Redressal Mechanism comprising two Committees – one at the Field (project site) Level and the other at the Ministry Level – and these committees have collected and examined the grievances in a structured manner.

^[1] All the remaining major activities have been either completed or nearing completion, e.g., (i) upgrading of 33 km road section (Narayanghat-Mugling), (ii) pavement improvement at ICD Bhairahawa; and (iii) railway shed extension at ICD Birgunj.

^[2] The decision to Implement of ASYCUDA World was taken by GoN after the Board approval of NIRTTP.



2. In October 2019, the Government of Nepal (GoN), vide their letter no.2076/077IECCD/1028 dated October 20, 2019, sought extension of the closing date of the Project by 2 years to enable them to complete the balance activities (copy enclosed). The Bank advised the Government that the request for extension can be considered only after satisfactory progress in resolution of both the long-pending issues, viz, (a) engagement of the Quality Advisory Consultant (QAC) for NSW; and (b) expediting and sharing of progress and status of redressal of grievances related to ICD, Chobhar. In December 2019, both these issues were addressed, as detailed below:
 - a. **Quality Advisory Consultant for NSW:** The Cabinet approved the engagement of the QAC services using single source selection (Ref., letter no.1017 dated December 19, 2019, from the Ministry of Industry, Commerce and Supply, Ref., letter no.1378 dated December 19, 2019, from the Ministry of Finance, to the Bank).
 - b. **ICD, Chobhar Grievances:** Following upon the recommendations of the 2-tier Grievance Redressal Committees, MoICS decided on the four main categories of grievances, as follows:
 - **Salary dues payable by the Himal cement factory to their ex-employees:** It was found that all dues were paid and there are no pending payments and hence, no further action required;
 - **Grievance related to shares of Himal Cement Company** will be addressed by the Company itself;
 - **Environment protection and socio-cultural promotion issues** are being and will be addressed as part of the Environmental and Social Management Plan (ESMP) currently under implementation; and
 - **Land Issues:** All the land parcels where the project works are located are found to be registered under the name of the Himal Cement Factory. The claims related to land parcels outside the purview of project works are being verified and the Government will be resolving them in due course.

MoICS also communicated the above decisions through a Public Notice that was placed on their web site as well as at various project work sites and community locations, viz., MoICS website, Ward office of Kirtipur Municipality, NITDB website, NITDB notice board, and site office of construction site at Chobhar. After the Public Notice, there were no incidences or reports of public protests. The Public Notice is a significant step in clearly stating that none of the grievances are related to the Bank-financed project/work sites and communicating the same to the wider audience. With this, the original risk presumed regarding the grievances that mounted since August 2018 and remained unaddressed until recently, can be seen to be mostly mitigated.

B. Rationale for Restructuring

3. The proposal for extending the closing date merits positive consideration for the following reasons:
 - **First, the Project Development Objective (DO) remains achievable** as the substantive pending issues related to both the major remaining activities – namely, NSW and ICD, Chobhar – have been duly resolved.
 - **Second, the performance of the Government of Nepal (GoN) and its implementing agencies has been satisfactory** as can be seen from their recent efforts in resolving the long-pending issues and bringing the project back on track, and their commitment to complete both the major balance activities.



- **Third, the Government of Nepal and the Bank have already agreed – and achieved – two critical actions** required for completing the balance activities, namely, expediting engagement of the Quality Advisory Consultant (QAC) through single source selection and duly addressing and documenting the grievance redressal process in the case of ICD, Chobhar. As an additional precaution, it was agreed that the disbursement for the NSW will be allowed only after the QAC is recruited and mobilized.
- There is no pending audit reports or audit issues under the Project.

II. DESCRIPTION OF PROPOSED CHANGES

4. Given the strategic importance of the Project, the Team agrees with the request received from the Government of Nepal via their letter dated 20 October 2019 for closing date extension by 23 months from December 31, 2019 to November 30, 2021. In addition, in order to ensure that the QAC is timely mobilized and be on board, the Team recommends to add a disbursement condition for the NSW component as described above. No other changes are proposed.

III. SUMMARY OF CHANGES

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



Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-52730	Effective	31-Dec-2019		30-Nov-2021	30-Mar-2022
IDA-H8630	Effective	31-Dec-2019		30-Nov-2021	30-Mar-2022

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2013	0.00	8,000,000.01
2014	2,350,000.00	3,240,129.29
2015	26,350,000.00	7,723,383.58
2016	32,650,000.00	5,554,761.80
2017	31,900,000.00	15,659,696.88
2018	5,750,000.00	7,597,355.16
2019	0.00	10,224,673.28
2020	0.00	6,000,000.00



2021	0.00	22,000,000.00
2022	0.00	13,000,000.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating at Approval	Current Rating
Political and Governance		● High
Macroeconomic		● Low
Sector Strategies and Policies		● High
Technical Design of Project or Program		● High
Institutional Capacity for Implementation and Sustainability		● High
Fiduciary		● Substantial
Environment and Social		● Substantial
Stakeholders		● Moderate
Other		
Overall		● High



Results framework

COUNTRY: Nepal

Nepal-India Regional Trade And Transport Project

Project Development Objectives(s)

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.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Decrease transport time and logistics costs for bilateral trade between Nepal and India								
Time associated with meeting regulatory requirements for import, export and transit activities (days) (Days)		4.80	14.00	14.00	12.00	9.00	8.00	2.40
Action: This indicator has been Revised								
Border Crossing time at Raxaul-Birgunj border post (Days)		2.30	2.30	2.30	2.30	1.50	1.50	1.50
Total time between cargo offloading at Kolkata to arrive in Birgunj by road, and Birgunj to Kathmandu for trucks (Days)		10.00	10.00	10.00	9.00	9.00	8.00	8.00



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Total time between cargo offloading at Kolkata to arrive in Birgunj by rail, and Birgunj to Kathmandu for trucks (Days)		22.00	22.00	22.00	20.00	20.00	17.60	17.60

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Modernize transport and transit arrangements between Nepal and India (Action: This Component has been Marked for Deletion)								
Percentage of transit goods cleared through electronic CTD (Percentage)		0.00	0.00	0.00	20.00	40.00	50.00	100.00
<i>Action: This indicator has been Marked for Deletion</i>								
Strengthen Trade-Related Institutional Capacity in Nepal								
Growth in Hit Rate for Trade Portal (Percentage)		0.00	0.00	0.00	0.00	20.00	30.00	40.00
<i>Action: This indicator has been Revised</i>								
Agencies Integrated into Single Window (Number)		0.00	0.00	0.00	2.00	3.00	4.00	5.00
<i>Action: This indicator has been Revised</i>								



The World Bank

Nepal-India Regional Trade And Transport Project (P144335)
