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**CREDIT NUMBER 7509-NP (CREDIT A)  
CREDIT NUMBER 7510-NP (CREDIT B)**

# **Financing Agreement**

**(Provincial and Local Roads Improvement Program – Phase 1)**

**between**

**NEPAL**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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## **FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between NEPAL (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”), for the purpose of assisting in financing the project described in Schedule 1 to this Agreement (“Project”). 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 — CREDIT**

- 2.01. The Association agrees to extend to the Recipient the following credits, which are deemed as Concessional Financing for purposes of the General Conditions, in the following amounts, to assist in financing the Project:
  - (a) a credit equivalent to seventeen million nine hundred thousand Special Drawing Rights (SDR 17,900,000) (variously, “Credit A” and “Financing”); and
  - (b) a credit equivalent to fifty-six million, seven hundred thousand Special Drawing Rights (SDR 56,700,000) (variously, “Credit B” and “Financing”).
- 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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance of Credit A.
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of Credit A and Credit B shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end the Recipient shall carry out the Project and cause the Project to be carried out by the Participating Provinces, in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Effectiveness Deadline is 90 (ninety) days after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is its Secretary, Ministry of Finance, or its 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; and

- (b) the Recipient's Electronic Address is: secretary@mof.gov.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:**   
\_\_\_\_\_  
**Name:** Ram Prasad Ghimire  
\_\_\_\_\_  
**Title:** Secretary, Ministry of Finance  
\_\_\_\_\_  
**Date:** 02-Aug-2024  
\_\_\_\_\_

**INTERNATIONAL DEVELOPMENT  
ASSOCIATION**

**By:**   
\_\_\_\_\_  
**Name:** David N. Sislen  
\_\_\_\_\_  
**Title:** Country Director, Maldives, Nepal, and Sri Lanka  
\_\_\_\_\_  
**Date:** 01-Aug-2024  
\_\_\_\_\_

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to enhance inclusive connectivity, efficiency, resilience, and safety of the selected provincial and local road network and strengthen the capacity of the federal government, Participating Provinces, and Participating Local Levels.

The Project consists of the following parts:

#### **Part 1: Enhancing efficiency and resilience of Provincial Roads and Bridges**

- 1.1 Preparation, upgradation, rehabilitation, improvement, supervision, and quality assurance of 200 km of selected Provincial Roads and Bridges to ensure they are all-weather, climate resilient, resource-efficient and meet required safety standards, and include carriageway matching traffic needs along with approach roads and five-years post construction maintenance.
- 1.2 Periodic maintenance of 300 km of existing Provincial Roads and Bridges for the preservation of existing infrastructure and retrofitting these infrastructures to make them climate resilient.
- 1.3 Routine and recurrent maintenance of 2500 km of existing Provincial Roads and Bridges to enhance their durability and resilience to climate and geo-physical disasters through community-led road maintenance groups which also include participation of women.
- 1.4 Development of community-led complimentary/associated climate-smart infrastructure facilities along the roadside.

#### **Part 2: Enhancing all-weather connectivity and access to Municipalities**

- 2.1 Preparation, construction, upgradation, supervision and quality assurance of 100 km all-weather Local Roads and Bridges to ensure they are all-weather, resilient, resource-efficient and meet required safety standards, and include carriageway matching traffic needs along with approach roads and five-years post construction maintenance, in order to provide connectivity to prioritized unconnected very remote/ remote Local Level centers and villages.
- 2.2 Undertaking of pilots to improve access in very remote/remote locations through non-motorized transport and alternative means of access.

#### **Part 3: Strengthening governance system and capacity development**

- 3.1 Development and implementation of institutional strengthening and modernization plan.
- 3.2 Development and implementation of a Project monitoring and management system and a road asset management system, including an accident reporting module and a risk and hazard database to undertake predictive prioritization and investments, in line with existing government systems.

- 3.3 Provision of Project implementation support to DoLI, Participating Provinces and Participating Local Levels, including implementation support for hands-on environment and social risk management, for harmonization of climate-resilient road and bridge standards, specifications, norms; development of provincial and local transport masterplans; gender disaggregated road-user satisfaction surveys; outcome monitoring study to measure the results of resiliency; and Project supervision, quality assurance, technical audit, monitoring and evaluation.
- 3.4 Training and capacity building of DoLI, Participating Provinces and Participating Local Levels, through development and implementation of a capacity building strategy and an implementation plan, including establishment of technical centers of excellence for building a climate and disaster resilient provincial and local road and bridge network.
- 3.5 Carrying out of vulnerability risk assessments on 500 km of existing all-weather roads in Participating Provinces; and the adoption and implementation of climate resilience and green growth strategy.
- 3.6 Assessment of gaps for strengthening low-emission rural passenger and freight transportation services, including electric vehicles.

**Part 4: Road safety management**

- 4.1 Assessment of existing road safety measures and management capacity, including engineering, enforcement, education/awareness and emergency response on provincial and local roads, and implementation of road safety measures based on the findings of such assessment/study, including:
  - (a) undertaking safety audit of 100 km provincial and local road network and implementing the audit findings on prioritized 30 km in the Participating Provinces;
  - (b) preparing and adopting province-level road safety action plans, including adopting measures that address safety risk due to climate-related hazards;
  - (c) updating road design standards/ manual for integrating road safety engineering measures driven by predictive approach to climate and disaster resilience for low volume roads;
  - (d) adopting community and work zone safety guidelines;
  - (e) training trainers and road safety auditors; and
  - (f) strengthening road safety enforcement capacity and post-crash care through equipment and training support.

**Part 5: Contingent Emergency Response**

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

## SCHEDULE 2

### Project Execution

#### Section I. Project Implementation

##### A. Other Institutional and Implementation Arrangements

1. The Recipient shall vest the overall responsibility for Project coordination and implementation in its DoLI at the federal level; Provincial Governments of the Participating Provinces for activities at the provincial level; and Provincial Governments of the Participating Provinces for activities at the local level for Local Levels located within their respective territories, in which case the Provincial Governments shall implement all activities in consultation with and on behalf of the Local Levels in accordance with arrangements agreed among DoLI, Participating Provinces and the respective Participating Local Levels.
2. The Recipient shall maintain, throughout the implementation of the Project, a Program Advisory Committee at the federal level, with membership, functions, and terms of reference satisfactory to the Association, as set forth in the Project Operations Manual, which shall be responsible for, *inter alia*, leading overall policy; harmonizing standards, specifications and norms for design and construction of roads; approving budget; and monitoring Project implementation.
3. The Recipient shall maintain, throughout the implementation of the Project, a Central Program Coordination Unit under DoLI, with staffing, functions, and terms of reference satisfactory to the Association, as set forth in the Program Operations Manual, which shall be responsible for, *inter alia*, overall Project oversight and monitoring, and coordination across different tiers of government.
4. The Recipient shall cause each Participating Province to establish, no later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation of the Project, a Provincial Steering Committee at the provincial level, with membership, functions and terms of reference satisfactory to the Association, as set forth in the Program Operations Manual, which shall be responsible for, *inter alia*, leading Project oversight at the provincial level, and intergovernmental coordination with the federal government and Local Levels.
5. The Recipient shall cause each Participating Province to establish, no later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation of the Project, a Provincial Program Management Unit (“PPMU”) at the provincial level, within the respective MoPID, with staffing, functions and terms of reference satisfactory to the Association, as set forth in the Program Operations Manual, which shall be responsible for, *inter alia*, implementation of all activities related to Provincial Roads and Bridges, construction of new Local Roads and Bridges on behalf of and in consultation with the respective Local Levels, and implementation and management of all Project activities at the provincial and local levels.

6. The Recipient shall cause each Participating Local Level to establish, no later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation of the Project, a Local Level Technical Unit at the local level, with staffing, functions and terms of reference satisfactory to the Association, as set forth in the Program Operations Manual, which shall be responsible for, *inter alia*, supporting the respective PPMU in undertaking planning, preparation, consultations, finalization of designs, management of environmental and social impacts of all activities at the local level, monitoring, supervision and grievance redress.

**B. MoU**

1. The Recipient, through DoLI, shall enter into an MoU with Participating Provinces and Participating Local Levels, with terms and conditions acceptable to the Association, which shall define the roles and responsibilities of the Recipient, Participating Provinces, and Participating Local Levels with respect to the Project activities, including:
  - (a) appropriate provisions to ensure that the terms of this Agreement, the Project Agreement and the Program Operations Manual are passed down to all Participating Provinces and Participating Local Levels;
  - (b) appropriate provisions related to the responsibilities of the Recipient, Participating Provinces and Participating Local Levels in relation to the implementation of their respective activities under the Project, including the implementation arrangements, cost sharing arrangements, responsibility for environmental and social risk management, responsibility for procurement and financial management, recourse mechanism in case of non-performance/ delays, and supervision, monitoring and reporting arrangements; and
  - (c) appropriate provisions related to the responsibilities of the Participating Provinces and Participating Local Levels to: prepare and submit to the Recipient in a timely manner progress reports related to the Project activities at the provincial and local levels; exchange views with the Recipient and the Association with regard to the progress of Project activities at the respective provincial and local levels and the performance of obligations under the Project Agreement; and provide promptly all such information as the Recipient and/or the Association may reasonably request for purposes of incorporating such information in the Project Reports.
2. The Recipient shall exercise its rights under the MoU in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the MoU or any of its provisions.

**C. Program Operations Manual**

1. The Recipient, through DoLI, shall, no later than one (1) month from the Effective Date, prepare and adopt, in form and substance acceptable to the Association, a Program Operations Manual (POM), cause the Participating Provinces and Participating Local Levels to adopt the POM, and thereafter carry out the Project in accordance with the POM, which shall include, *inter alia*, the procedures and operational instructions for Project implementation, implementation and institutional arrangements, criteria and procedure for



selection of roads and preparation of detailed project reports for each construction/upgradation project, geographic scope of the Project, financial management and procurement arrangements, day-to-day contract management, environment and social risk management, quality assurance mechanisms, arrangements for maintenance of roads, monitoring and reporting arrangements, protocols for collection, use and processing of Personal Data in accordance with best international practice, and governance and accountability mechanism.

2. In the event of any inconsistency between the POM and this Agreement and/or the Project Agreement, the provisions of the latter Agreement(s) shall prevail.
3. The Recipient shall not amend, revise, or waive, nor allow to be amended, revised or waived, any provision of the POM, whether in whole or in part, without the prior written approval of the Association.

**D. Road Classification Guidelines**

The Recipient shall, no later than two (2) months from the Effective Date, prepare and adopt, in form and substance acceptable to the Association, the Road Classification Guidelines, which shall categorize roads and bridges as provincial and local for the purposes of this Project, in line with the administrative structure set forth in the Constitution.

**E. Annual Work Plan and Budget**

1. The Recipient shall, no later than April 15 of each Fiscal Year during Project implementation, prepare and furnish to the Association, an annual program of activities proposed for implementation under the Project during the following year, together with a proposed budget for the purpose, except for the annual work plan and budget for the first year which shall be furnished prior to the commencement of the relevant activities under the Project.
2. The Recipient shall exchange views with the Association on each such proposed annual work plan, and shall thereafter adopt, and carry out such activities for such following Fiscal Year as shall have been agreed with the Association, as such plan may be subsequently revised during such following Fiscal Year in consultation and concurrence with the Association (“Annual Work Plan and Budget”).

**F. Contingent Emergency Response**

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project (“Emergency Response Part”), the Recipient shall:
  - (a) prepare and furnish to the Association for its review and approval, an Emergency Response Manual (“ERM”) which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any institutional structures or arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management

arrangements for the Emergency Response Part; (iv) procurement methods and procedures for the Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social management arrangements and instruments for the Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

- (b) afford the Association a reasonable opportunity to review the proposed ERM;
  - (c) promptly adopt the ERM for the Emergency Response Part as accepted by the Association and integrate it as an annex to the POM;
  - (d) ensure that the Emergency Response Part is carried out in accordance with the ERM; provided, however, that in the event of any inconsistency between the provisions of the ERM and this Agreement, the provisions of this Agreement shall prevail; and
  - (e) not amend, suspend, abrogate, repeal, or waive any provision of the ERM without the prior written approval by the Association.
2. The Recipient shall, throughout the implementation of the Emergency Response Part, maintain the institutional structures and arrangements referred to in the ERM, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities under the Emergency Response Part unless and until the following conditions have been met in respect of said activities:
- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
  - (b) the Recipient has ensured the preparation and disclosure of all environmental and social instruments as may be required for said activities in accordance with the ERM, the Association has approved all said instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.

**G. Environmental and Social Standards**

1. **Environmental and Social Standards.** The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. **Environmental and Social Commitment Plan.** Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as provided in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended, or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. **Inconsistencies with the ESCP.** In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. **Monitoring and Reporting.** The Recipient shall ensure that:
- (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (b) the Association is promptly notified 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, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. **Grievance mechanism.** The Recipient shall establish, publicize, and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
6. **Management of Contractors.** The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures address environmental, social, health and safety risks, and the risks of sexual exploitation

and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

**Section II. Project Monitoring Reporting and Evaluation**

1. The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each Fiscal Quarter, covering the Fiscal Quarter.
2. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association no later than thirty-six (36) months from the Effective Date, a consolidated mid-term review report for the Project, summarizing the results of the monitoring and evaluation activities carried out from the inception of the Project, including data from Participating Provinces for Project activities at the provincial and local levels, and setting out the measures recommended to ensure the efficient completion of the Project and to further its objective.
3. Except as may otherwise be explicitly required or permitted under this Agreement, or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 to this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

**Section III. Withdrawal of Credit Proceeds**

**A. General.**

1. 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 Credit to finance Eligible Expenditures, in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of Credit A Allocated (expressed in SDR)</b>	<b>Amount of Credit B Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consulting services, Training, and Incremental Operating Costs for the Project	3,450,000	-	100%
(2) Transfer to Participating Provinces for goods, works, non-consulting services and consulting services for Parts 1.1, 1.2 and 2.1 of the Project	9,550,000	56,700,000	80% for Credit A; and 80% for Credit B

(3) Transfer to Participating Provinces for goods, works, non-consulting services, and consulting services for Part 1.3 of the Project	400,000	-	20%
(4) Transfer to Participating Provinces for goods, works, non-consulting services and consulting services, Training, and Incremental Operating Costs for Parts 1.4, 2.2, 3 and 4 of the Project	4,500,000	-	100%
(5) Emergency Expenditures	0	0	
<b>TOTAL AMOUNT</b>	<b>17,900,000</b>	<b>56,700,000</b>	

**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, except that withdrawals from Credit A up to an aggregate amount not to exceed SDR 20,000 for Eligible Expenditures under Category (1), and SDR 45,000 for Eligible Expenditures under Category (4), may be made for payments made prior to this date but on or after January 16, 2024; or
  - (b) for Emergency Expenditures under Category (5), unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said expenditures:
    - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include the proposed activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
    - (ii) the Recipient has ensured that all environmental and social instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.F of this Schedule;
    - (iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.F of this Schedule, for the purposes of said activities; and

- (iv) the Recipient has adopted the ERM, in form and substance acceptable to the Association, and the provisions of the ERM remain, or have been updated, in accordance with the provisions of Section I.F of this Schedule so as to be appropriate for the inclusion and implementation of the Emergency Response Part.

2. The Closing Date is July 15, 2029.

**Section V. Other Undertakings**

**A. Data Protection and Privacy**

- 1. The Recipient, through DoLI, shall, and shall cause Participating Provinces and Participating Local Levels to:
  - (a) ensure that any CCTV cameras procured under Part 4 of the Project shall be financed and implemented in accordance with the relevant annual work plans and budget, pursuant to the provisions set forth in the POM, exclusively for the purpose of enhancing road safety;
  - (b) ensure that the Project activities involving collection, storage, usage, and/or processing (including transfers to third parties) of Personal Data shall be done in accordance with the best international practice, and ensure legitimate, appropriate, and proportionate treatment of such data;
  - (c) in the event that, during the implementation of the Project, the approval of any new legislation regarding Personal Data protection may have an impact on the activities financed by the Project, ensure that a technical analysis of said impact is conducted, and that the necessary recommendations and adjustments, are implemented, as appropriate; and
  - (d) except as may otherwise be explicitly required or permitted under this Agreement, or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 to this Agreement, ensure that such information, report or document does not include Personal Data.

**B. Use of Traffic-Enforcement Goods and Equipment**

- 1. Prior to procurement and/or use of any goods for road safety enforcement financed under Part 4 of the Project (“traffic-enforcement goods and equipment”), the Recipient shall, and/or shall cause the Participating Provinces and/or Participating Local Levels, as appropriate, to:
  - (a) notify the Association of such proposed procurement and/or use, and afford the Association a reasonable opportunity to assess any risks related to such procurement and/or use, including operational, legal, and regulatory, institutional, technical, social and environmental, and fiduciary risks, and to recommend appropriate mitigation measures; and

- (b) develop a risk mitigation plan for the procurement and use of traffic-enforcement goods and equipment, in form and substance acceptable to the Association.
2. The Recipient shall, and shall cause Participating Provinces and/or Participating Local Levels, as appropriate to, ensure that:
- (a) no traffic-enforcement goods and equipment shall be procured and/or used under the Project unless the Recipient, Participating Provinces and/or the Participating Local Levels, as appropriate, have implemented the risk mitigation measures in accordance with paragraph 1 above, in form and manner satisfactory to the Association;
  - (b) no traffic-enforcement goods and equipment procured under the Project shall be used for any purpose other than those set out in Schedule 1 to this Agreement and for which the risk mitigation plan referred to in paragraph 1(b) above has been developed and implemented, except where the Association has provided its prior approval in writing for such use based on: (i) assessment of the risks involved; and (ii) implementation of appropriate risk mitigation measures;
  - (c) the Financing proceeds and traffic-enforcement goods and equipment are not utilized for:
    - (i) any law-enforcement purposes, activities, or reason other than those described in sub-paragraph (b) above; and/or
    - (ii) any specific investigation, prosecution, or enforcement activities except for those described in sub-paragraph (b) above; and
  - (d) the Financing proceeds are not utilized for the purchase of arms, weapons, ammunition, or other lethal equipment, or to train any personnel in the use of arms, weapons, ammunition, or lethal equipment.
3. Except as the Association may otherwise agree, the Recipient, Participating Provinces and/or the Participating Local Levels, as appropriate, shall ensure that the ownership of traffic-enforcement goods and equipment procured out of the Financing proceeds shall be transferred to, or shall vest, with DoLI and/or MoPID or any equivalent or appropriate line ministry or agency agreed with the Association.

**C. Financing from Other Sources**

1. The Recipient shall: (a) provide, promptly as needed, the resources needed for the purpose of implementation of the Project; and (b) ensure that the following expenditures are financed exclusively out of its own resources and not out of the proceeds of the Financing:
- (a) all costs associated with land acquisition, rehabilitation and resettlement required for the purposes of the Project;
  - (b) costs related to regular utilities, including costs for electricity, water and waste disposal;

- (c) salaries and allowances of government staff at federal, provincial and local levels;  
and
  - (d) costs of maintenance of roads and bridges constructed and/or upgraded under the Project, incurred after the Closing Date.
2. The Recipient shall ensure that no withdrawal for any expenditure is claimed under this Project, where the Recipient, Participating Provinces, Participating Local Levels, or any of their agencies, shall have financed or agreed to finance any such expenditure incurred under any other credit, loan or grant under any contract with the Association or any national or international agency or organization or a sovereign government.



**SCHEDULE 3**

**Repayment Schedule**

**I. REPAYMENT OF CREDIT A**

<b>Date Payment Due</b>	<b>Principal Amount of Credit A repayable (expressed as a percentage)*</b>
On each February 15 and August 15 commencing August 15, 2030, to and including February 15, 2062	1.5625%

\* The percentages represent the percentage of the principal amount of the Credit A to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

**II. REPAYMENT OF CREDIT B**

<b>Date Payment Due</b>	<b>Principal Amount of Credit B repayable (expressed as a percentage) *</b>
On each February 15 and August 15: commencing August 15, 2030, to and including August 15, 2035	8.33334%
On February 15, 2036	8.33326%

\* The percentages represent the percentage of the principal amount of Credit B to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions

## APPENDIX

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. “CCTV” means closed-circuit television.
4. “Central Program Coordination Unit” means the unit established by MoUD via Order no. 710 dated November 14, 2022 (BS 2079/ 07/28), to be maintained in accordance with Section I.A.3 of Schedule 2 to this Agreement.
5. “Conditional Grants” means the fiscal transfers made to Provincial Governments of the Participating Provinces under Section 9 of the Intergovernmental Fiscal Arrangement Act and pursuant to Article 251, Clause 1(c) of the Constitution, which are conditional upon the respective Provincial Governments abiding by certain specified terms and conditions.
6. “Constitution” means the Recipient’s Constitution promulgated on September 20, 2015 (2072.6.3).
7. “Credit A” means the credit in the amount referenced in Section 2.01(a) of this Agreement and the Credit for purposes of paragraph 24 of the Appendix to the General Conditions.
8. “Credit B” means the credit in the amount referenced in Section 2.01(b) of this Agreement and the Credit for purposes of paragraph 24 of the Appendix to the General Conditions.
9. “DoLI” means the Department of Local Infrastructure under MoUD, or any successor thereto.
10. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
11. “Emergency Expenditure” means any of the eligible expenditures set forth in the Emergency Response Manual in accordance with the provisions of Section I.F.1(a) of Schedule 2 to this Agreement and required for the Emergency Response Part.
12. “Emergency Response Manual” and the acronym “ERM” means the manual referred to in Section I.F.1(a) of Schedule 2 to this Agreement, to be adopted by the Recipient for the Emergency Response Part and form part of the POM in accordance with the provisions of said Section.
13. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 5 of the Project.

14. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project dated January 16, 2024 (including any annexes or schedules to such plan), as may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
15. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
16. “Fiscal Quarter” means, each of the following three (3) month periods within the same Fiscal Year, namely on or around: (a) July 16 to October 15; (b) October 16 to January 15; (c) January 16 to April 15; and (d) April 16 to July 15.
17. “Fiscal Year” means the Recipient’s fiscal year, which begins on July 16 of each calendar year and ends on July 15 of the next calendar year.
18. “General Conditions” means the International Development Association General Conditions for IDA Financing, Investment Project Financing, dated December 14, 2018 (Last revised on July 15, 2023).
19. “Incremental Operating Costs” means reasonable costs incurred by the Recipient and/or Participating Provinces for purposes of the management and supervision of the Project for costs of office 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 regular utilities, and salaries and allowances of the Recipient’s and Participating Provinces’ civil servants or other regular government staff.
20. “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.
21. “Local Level Technical Unit” means each of the units to be established and maintained at the local level in accordance with Section I.A.6 of Schedule 2 to this Agreement.

22. “Local Level” means a rural municipal executive or municipal executive, referred to in Article 214 (4) of the Constitution.
23. “Local Roads and Bridges” means the roads and bridges that fall under the jurisdiction of any Local Level, in accordance with the Road Classification Guidelines, or any subsequent guideline, regulation or legislation on road classification that may be put into force.
24. “MoPID” means for Madhesh, its Ministry of Physical Infrastructure Development, or any successor thereto; for Karnali, its Ministry of Physical Infrastructure and Urban Development, or any successor thereto; and for Sudurpaschim, its Ministry of Physical Infrastructure Development, or any successor thereto.
25. “MoU” means the tripartite memorandum of understanding to be entered into between DoLI, Participating Provinces, and Participating Local Levels, in accordance with Section I.B of Schedule 2 to this Agreement and Section I.B of the Schedule to the Project Agreement.
26. “MoUD’s Representative” means the MoUD’s representative specified in the Project Agreement and Section 11.02 of the General Conditions would apply *mutatis mutandis* to MoUD’s Representative.
27. “MoUD” means the Recipient’s Ministry of Urban Development, or any successor thereto.
28. “Municipality” means one of the municipalities or rural municipalities referred to as Local Level in Article 56 of the Constitution.
29. “Participating Local Level” means a Local Level for which any of its Local Roads and Bridges are included as part of the Project activities, and which accepts its participation in the Project by entering into the MoU.
30. “Participating Province” means either of the Recipient’s Provinces of: Madhesh, Karnali and Sudurpaschim.
31. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, biometric data, facial images, metadata, and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
32. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
33. “Program Advisory Committee” means the committee established by MoUD via Order no. 708 dated November 14, 2022 (BS 2079/07/28), to be maintained in accordance with Section I.A.2 of Schedule 2 to this Agreement.

34. “Program Operations Manual” or “POM” means the manual to be prepared and adopted in accordance with Section I.C of Schedule 2 to this Agreement and Section I.C of the Schedule to the Project Agreement.
35. “Project Agreement” means the agreement between the Association, MoUD, and the Project Implementing Entities relating to the implementation of the Project, as such agreement may be amended from time to time.
36. “Project Implementing Entity” means any of the Participating Provinces, and “Project Implementing Entities” means, collectively, all the Participating Provinces.
37. “Province” means one of the provinces of government, as described under Article 56 of the Constitution.
38. “Provincial Government” means a provincial government referred to in Article 162 (3) read with Annex 6 of the Constitution.
39. “Provincial Program Management Unit” or “PPMU” means each of units to be established and maintained at the provincial level in accordance with Section I.A.5 of Schedule 2 to this Agreement and Section I.A.3 of the Schedule to the Project Agreement.
40. “Provincial Roads and Bridges” means the roads and bridges that fall under the jurisdiction of any Provincial Government, in accordance with the Road Classification Guidelines, or any subsequent guideline, regulation or legislation on road classification that may be put into force.
41. “Provincial Steering Committee” means each of the committees to be established and maintained at the provincial level in accordance with Section I.A.4 of Schedule 2 to this Agreement and Section I.A.2 of the Schedule to the Project Agreement.
42. “Road Classification Guidelines” means the guidelines to be prepared and adopted in accordance with Section I.D of Schedule 2 to this Agreement.
43. “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.
44. “Training” means the training and workshops provided to and/or undertaken by the public officials of the Recipient and/or Participating Provinces under the Project, 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.
45. “Transfer to Participating Provinces” means the fiscal transfers made to the Participating Provinces in the form of Conditional Grants.