CREDIT NUMBER 6673-NP (CONCESSIONAL CREDIT)
CREDIT NUMBER 6674 -NP (NON-CONCESSIONAL CREDIT)

Financing Agreement

(Strategic Road Connectivity and Trade Improvement Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6673 -NP (CONCESSIONAL CREDIT)
CREDIT NUMBER 6674 -NP (NON-CONCESSIONAL CREDIT)

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between NEPAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient to assist in financing the project described in Schedule 1 to this Agreement ("Project"):

(a) a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to two hundred and nineteen million and six hundred thousand Special Drawing Rights (SDR 219,600,000) ("Concessional Credit"); and

(b) a credit, which is deemed as Non-concessional Financing for purposes of the General Conditions, in the amount of one hundred and thirty-eight million Euro (EUR 138,000,000) ("Non-Concessional Credit") (the Concessional Credit and Non-Concessional Credit jointly referred to, variously, as "Credit" 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 Payment Dates are March 1 and September 1 in each year.

ARTICLE III — CONCESSIONAL CREDIT TERMS

3.01. The Maximum Commitment Charge Rate for the Concessional Credit is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Credit Balance of the Concessional Credit.

3.02. The Service Charge for the Concessional Credit is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance of the Concessional Credit.

3.03. The principal amount of the Concessional Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

3.04. The Payment Currency for the Concessional Credit is Dollar.

ARTICLE IV — NON-CONCESSIONAL CREDIT TERMS

4.01. The Front-end Fee for the Non-Concessional Credit is one quarter of one percent (¼ of 1%) of the Non-Concessional Credit amount.

4.02. The Commitment Charge for the Non-Concessional Credit is one-quarter of one percent (¼ of 1%) per annum on the Unwithdrawn Credit Balance of the Non-Concessional Credit.

4.03. The Interest Charge for the Non-Concessional Credit is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.09(e) of the General Conditions.

4.04. The principal amount of the Non-Concessional Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 4 to this Agreement.

4.05. The Payment Currency for the Non-Concessional Credit is Euro.

ARTICLE V — PROJECT

5.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE VI — EFFECTIVENESS; TERMINATION

6.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

6.02. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VII — REPRESENTATIVE; ADDRESSES

7.01. The Recipient's Representative is its Finance Secretary or Joint Secretary, International Economic Cooperation Coordination Division, Ministry of Finance.

7.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

(b) the Recipient's Electronic Address is:

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

7.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

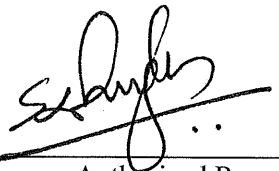
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

NEPAL

By 

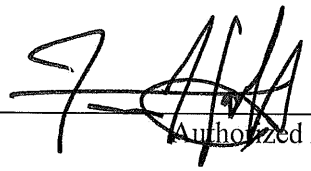
Authorized Representative

Name: Sishir Kumar Dhungana

Title: Finance Secretary

Date: July 17, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 

Authorized Representative

Name: Faris H. Hadad-Zervos

Title: Country Director for Maldives, Nepal and Sri Lanka

Date: July 17, 2020

SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency and safety of select transport infrastructure, improve the efficiency of cross-border trade, and strengthen capacity for Strategic Road Network management in Nepal.

Part 1: Trade Facilitation

1.1 Augmentation of physical infrastructure, equipment, inspection and related border transit management systems that are required to absorb increasing traffic and trade volumes at key border crossing points including Birgunj, Bhairahawa and Biratnagar.

1.2 Augmentation of equipment and training, and construction and/or renovation of laboratory buildings at key border locations.

1.3 Knowledge support and capacity building for: (a) continuous improvement of the trade policy environment; (b) monitoring of trade performance; and (c) development, implementation, and monitoring and evaluation, of targeted trade promotion measures.

1.4 Support for implementation, coordination, monitoring and supervision of this Part 1 of the Project.

Part 2: Regional Road Connectivity

2.1 Improvement of the existing Nagdhunga-Naubise-Mugling road to two lanes, with one meter paved shoulders.

2.2 Upgrading of the Kamala-Dhalkebar-Pathlaiya road from two lanes to four lanes.

2.3 Implementation of a safe corridor demonstration program (SCDP), with support for road safety improvement initiatives including enforcement and post-crash response, covering a length of about 250 km.

2.4 Support for implementation, coordination, monitoring and supervision of this Part 2 of the Project.

Part 3: Institutional Strengthening

3.1 Support for the National Road Safety Council through, *inter alia*:

(a) establishment of an interim secretariat with seed funding in the form of staffing and equipment; and

(b) support for prioritized activities from the National Road Safety Action Plan, including coordinating, monitoring and evaluating measures under the SCDP; monitoring the working of management information systems and equipment service providers; supporting nation-wide roll-out of the web-based Road Accident Information Management System; and supporting training and peer-exchange programs.

3.2 Capacity enhancement of DoR for improved management of SRN through:

(a) development and mainstreaming of the road asset management system;

(b) support for training facilities and training in selected priority areas, including network-level safety assessments, quality, procurement, design of advanced structures, and management of environmental and social risks and impacts; and

(c) support for training of local women to find skilled employment and livelihood opportunities.

3.3 Support for periodic maintenance of the Core Road Network (CRN).

3.4 Support for implementation, coordination, monitoring and supervision of this Part 3 of the Project.

Part 4: Contingent Emergency Response

Providing immediate response to an Eligible Crisis or Emergency as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest the overall responsibility for implementation of Part 1 of Project in MoICS, Parts 2 and 3 of the Project in MoPIT, and Part 4 of the Project in the Coordinating Authority.

2. The Recipient shall:

   (a) establish within three (3) months of the Effective Date, and thereafter maintain throughout the period of Project implementation, a Project Steering Committee, chaired by the Secretary of MoPIT and comprising of representatives from the National Planning Commission, MoF, MoICS and MoALD; which committee shall have functions and responsibilities acceptable to the Association, including providing overall guidance and undertaking cross-sectoral coordination for implementation and monitoring of the Project;

   (b) establish within three (3) months of the Effective Date, and thereafter maintain throughout the period of Project implementation, a Project Technical Committee, comprising of representatives and technical experts from different ministries, acceptable to the Association; which committee shall have functions and responsibilities acceptable to the Association, including providing technical guidance on the Project;

   (c) establish within three (3) months of the Effective Date, and thereafter maintain throughout the period of Project implementation, a Project Coordination Unit -MoICS, set up within MoICS, headed by a Project director, and designated units within NITDB, Department of Customs, Department of Food Technology and Quality Control, Plant Quarantine and Pesticide Management Centre, and Department of Livestock Services and other departments and agencies responsible for implementing Part 1 of the Project, as agreed with the Association, which unit and designated units shall be comprised of experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Association. The Project Coordination Unit – MoICS, in coordination with said designated units, shall be responsible for day-to-day implementation and monitoring of activities under Part 1 of the Project and shall have functions and responsibilities acceptable to the Association, including undertaking procurement and financial management; supporting, monitoring and reporting the compliance of Project activities with ESCP; supporting

knowledge and capacity building of MoICS staff; preparing progress reports; and Project monitoring; and

(d) establish within three (3) months of the Effective Date, and thereafter maintain throughout the period of Project implementation, a Project Coordination Unit -DCID, set up within DCID, headed by the deputy director general of DCID, and designated units within maintenance branch of DoR, planning branch of DoR, National Road Safety Council, Department of Transport Management and other departments and agencies responsible for implementing Parts 2 or 3 of the Project, as agreed with the Association, which unit and designated units shall be comprised of experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Association. The Project Coordination Unit – DCID, in coordination with said designated units, shall be responsible for day-to-day implementation and monitoring of activities under Parts 2 and 3 of the Project and shall have functions and responsibilities acceptable to the Association, including undertaking procurement and financial management; supporting, monitoring and reporting the compliance of Project activities with ESCP; supporting knowledge and capacity building of DoR staff; preparing progress reports; and Project monitoring.

B. Road Improvement, Upgrading and Maintenance Activities

1. For purposes of implementing the road improvement and upgrading activities set forth in Parts 2.1 and 2.2 of the Project, DoR shall award contracts in accordance with road readiness criteria acceptable to the Association, which criteria shall include, *inter alia*:

(a) the completion of the notifications for any necessary land acquisition;

(b) the securing of all environmental clearances (including any mandatory public hearings) and governmental permits for construction activities;

(c) completion of all measures and actions in accordance with the ESCP; and

(d) the engagement of a supervision consulting firm for works procured under Item-Rate Contracts or PPP Contracts, with qualifications and experience and under terms of reference acceptable to the Association, in order to assist the respective road-specific project implementation unit referred to in paragraph 2 below with contract management, monitoring/supervision, and the certification of contractors' performance, including the compliance with/implementation of the ESCP.

2. Prior to the selection of any contractor for activities on any road identified for support under Part 2.1 or 2.2 of the Project, MoPIT shall establish, and thereafter

maintain throughout the period of implementation of Project activities in such road, a road-specific project implementation unit which shall be: (a) headed by a project manager, assisted by competent staff, all with experience and qualifications, in numbers and under terms of reference acceptable to the Association; and (b) vested with such powers, financial resources, functions and competences, acceptable to the Association, as shall be required for it to carry out all preparatory activities for site-specific Project activities (including securing the necessary encumbrance-free land, clearances and permits), ensure coordination with relevant agencies and governmental departments, oversee the implementation of/compliance with ESCP, handle the project's grievance complaints systems (for all grievances other than procurement-related ones), undertake contract management responsibilities, and guide/oversee performance of the supervision consulting firm.

3. For purposes of implementing the road periodic maintenance activities set forth in Part 3.3 of the Project, MoPIT shall:

(a) identify the high traffic highways within the SRN, and notify them as the Core Road Network (CRN) within three (3) months of the Effective Date;

(b) thereafter, require DoR to prepare a prioritized list of periodic maintenance works at or before the beginning of each Fiscal Year based on condition assessment and providing adequate budget allocation to meet those priorities; and

(c) engage services of a program management consultant to assist DoR in identification, procurement, implementation, monitoring, technical and financial audits, and verification of results of these works.

C. Environmental and Social Standards

1. 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. 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 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. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. 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, including but not limited to explosions, spills, and any workplace accidents that result in death, serious or multiple injury, pollution, or any violent labor unrest or dispute between the Recipient or security forces (assigned to protect the Project) and local communities, or any case of gender-based violence and violence against minors, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient shall establish, publicize, maintain 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. 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 to 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.

D. Project Implementation Manual

1. For purposes of implementing the Project, the Recipient shall:

   (a) prepare, approve and adopt a Project Implementation Manual within three (3) months of the Effective Date, in a manner and substance satisfactory to the Association, and thereafter carry out the Project in accordance with the provisions of the Project Implementation Manual, which manual shall include, *inter alia*: (i) the details of the Project activities including results framework and overall budget; (ii) the Project implementation arrangements; (iii) the format of the interim unaudited financial reports to be submitted under the Project; (iv) the Project's administrative, accounting, auditing, reporting, financial management and procurement requirements; (v) the Project's environmental and social safeguard requirements; (vi) the Project's monitoring and evaluation, and reporting requirements; and (vii) the model form of agreement for Item-Rate Contracts and PPP Contracts; and

   (b) refrain from amending, suspending, waiving, and/or voiding any provision of the Project Implementation Manual, whether in whole or in part, without the prior written concurrence of the Association.

2. In the event of a conflict between the provisions of the Project Implementation Manual and those of this Agreement, the provisions of the latter shall govern.

E. Annual Work Plan and Budget

1. The Recipient shall, no later than July 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 agreement with the Association ("Annual Work Plan and Budget").

F. Contingent Emergency Response Mechanism

1. In order to ensure proper implementation of Part 4 of the Project ("CER Part"), the Recipient shall:

   (a) prepare and furnish to the Association for its review and no-objection, an Annex to the Project Implementation Manual ("CER Annex") which shall set forth detailed implementation arrangements for the CER Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for the coordination and implementation of the CER Part ("Coordinating Authority"); (ii) specific activities which may be included in the CER Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the CER Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CER Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard instruments, including management frameworks, assessments and/or plans for the CER Part consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the CER Part;

   (b) afford the Association a reasonable opportunity to review said proposed CER Annex;

   (c) adopt the CER Annex for the CER Part for which the Association shall have been accorded its no-objection;

   (d) ensure that the CER Part is carried out in accordance with the CER Annex, provided however that in the event of any inconsistency between any of the provisions of the CER Annex and those of this Agreement, the provisions of this Agreement shall prevail; and

   (e) not amend, suspend, abrogate, repeal or waive, whether in whole or in part, any provision of the CER Annex without the prior written concurrence of the Association.

2. After the Recipient has determined that an Eligible Crisis or Emergency has occurred, it shall prepare and furnish to the Association for its review and no-objection, in accordance with the provisions set forth in the CER Annex, a Contingent Emergency Response Implementation Plan ("CERIP") which shall set forth detailed arrangements for the activation of CER Part, including: (i) specific

activities to be financed out of the Emergency Expenditures; (ii) itemized costs for each expenditure item; (iii) implementation arrangements for the CER Part, as defined in the CER Annex or with proposed amendments; (iv) procurement plan for the CER Part; (v) details regarding compliance with environmental and social safeguard instruments; and (vi) any other arrangements necessary to ensure proper implementation of the CER Part.

3. The Recipient shall, throughout the period of implementation of the CER Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.

4. The Recipient shall undertake no activities under the CER Part (and no activities shall be included in the CER Part) unless and until the following conditions have been met in respect of said activities:

(a) (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred; (ii) the Recipient has furnished to the Association a request to include said activities in the CER Part in order to respond to said Eligible Crisis or Emergency; and (iii) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) (i) the Recipient has prepared and disclosed all safeguard instruments required for said activities, in accordance with the CER Annex; (ii) the Association has approved all such instruments; and (iii) the Recipient has implemented all actions which are required to be taken under said instruments prior to the commencement of such activities.

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 Quadrimester, covering the Fiscal Quadrimester.

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, and setting out the measures recommended to ensure the efficient completion of the Project and to further its objective.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Concessional Credit Allocated (expressed in SDR)	Amount of the Non-Concessional Credit Allocated (expressed in EUR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Incremental Operating Costs for Part 1 of the Project	21,500,000	0	70%
(2) Goods, works, non-consulting services, consulting services and Training for Parts 2.1 and 2.3 of the Project	97,600,000	0	70%
(3) Works for Part 2.2 of the Project	38,650,000	137,655,000	46%
(4) Goods, non-consulting services, consulting services and Training for Part 2.2 of the Project	10,500,000	0	70%
(5) Goods, works, non-consulting services, consulting services and Training for Parts 3.1 and 3.2 of the Project; and Incremental Operating Costs for Parts 2 and 3 of the Project	10,350,000	0	70%
(6) Goods, works, non-consulting services,	41,000,000	0	70%

consulting services and Training for Part 3.3 of the Project			
(7) Emergency Expenditures for the CER Part	0	0	100%
(8) Front-end Fee for the Non-Concessional Credit	-	345,000	Amount payable pursuant to Section 4.01 of this Agreement in accordance with Section 3.08(b) of the General Conditions
(9) Interest Rate Cap or Interest Rate Collar	-	0	Amount due pursuant to Section 4.06(c) of the General Conditions
TOTAL AMOUNT	**219,600,000**	**138,000,000**	

B. Withdrawal Conditions; Withdrawal Period

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

(a) for payments made prior to the Signature Date; or

(b) under Category (7), unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include certain activities in the CER 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;

(ii) the Recipient has prepared and disclosed all safeguard instruments, acceptable to the Association, required for said activities, and has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.F.1(a)(vi) of this Schedule 2 to this Agreement;

(iii) the Recipient has provided sufficient evidence satisfactory to the Association that the Coordinating Authority has adequate staff and resources, in accordance with the provision of Section I.F.3 of this Schedule 2 to this Agreement, for the purposes of said activities;

(iv) the Recipient has adopted a CER Annex, as part of the Project Implementation Manual, in form, substance and manner acceptable to the Association and the provisions of said CER Annex remain, or have been updated, in accordance with the provisions of Section I.F.1(a) of this Schedule 2 to this Agreement, so as to be appropriate for the inclusion and implementation of said activities under the respective CER Part; and

(iv) the Recipient has prepared and submitted to the Association a CERIP, in form, substance and manner acceptable to the Association, in accordance with the provisions of Section I.F.2 of this Schedule 2 to this Agreement, and the Association has reviewed and approved the CERIP.

2. The Closing Date is July 15, 2027.

Section IV. <u>Other Undertakings</u>

1. All activities carried out by the Nepal Police under the Project shall be under the control of MoICS, MoPIT and/or Coordinating Authority, as appropriate, and shall be undertaken exclusively for the purposes related to the Project. All goods, works, services, Incremental Operating Costs and Training financed by the Financing proceeds shall be used by the Nepal Police exclusively under the direction and control of MoICS, MoPIT and/or Coordinating Authority, as appropriate, and in accordance with the Project Implementation Manual and other arrangements or protocols that the Association may require for carrying out these activities.

2. Except as the Association may otherwise agree, the Recipient shall ensure that the ownership of any assets generated, goods procured, and works constructed by the Nepal Police out of the Financing proceeds shall be transferred to, or shall vest, with MoICS, MoPIT and/or Coordinating Authority or any equivalent or appropriate line ministry or agency agreed with the Association.

3. The Recipient shall: (a) ensure that the following expenditures are financed exclusively out of its own resources and not out of the proceeds of the Financing; and (b) provide, promptly as needed, the resources needed for this purpose:

(i) all costs associated with land and land use rights required for the purposes of the Project;

(ii) all resettlement and rehabilitation compensation and other assistance to Affected Person(s);

(iii) costs of maintenance of any roads or corridors improved, upgraded or covered under the safe corridor demonstration program under Part 2 of the Project.

4. The Recipient shall ensure that no withdrawal for any expenditure is claimed under this Project, where the Recipient, or any of its 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 of the Concessional Credit

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 1 and September 1, commencing September 1, 2026 to and including March 1, 2058	1.5625%

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

SCHEDULE 4

Repayment Schedule of the Non-Concessional Credit

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Credit and the percentage of the total principal amount of the Credit payable on each Principal Payment Date ("Installment Share").

Level Principal Repayments

Principal Payment Date	Installment Share
On each March 1 and September 1 Beginning September 1, 2026 through September 1, 2049	2.08%
On March 1, 2050	2.24%

APPENDIX

Definitions

1. "Affected Person" means, under ESS5, a person or entity who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land resulting in: (a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

2. "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.

3. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

4. "CER Annex" means an annex to the Project Implementation Manual referred to in Section I.F.1 of Schedule 2 to this Agreement, acceptable to the Association, to be adopted by the Recipient for the implementation of the CER Part, in accordance with the provisions of said Section.

5. "CER Part" means Part 4 of the Project, as described in Schedule 1 to this Agreement.

6. "Contingent Emergency Response Implementation Plan" or the acronym "CERIP" means the action plan referred to in Section I.F.2 of Schedule 2 to this Agreement, acceptable to the Association to be prepared by the Recipient for the implementation of the CER Part, in accordance with the provision of said Section.

7. "Coordinating Authority" means the entity or entities designated by the Recipient in the CER Annex, and approved by the Association pursuant to Section I.F.1(a) of Schedule 2 to this Agreement, to be responsible for coordinating the CER Part of the Project.

8. "Core Road Network" or "CRN" means the high-traffic road network within SRN notified as such by MoPIT.

9. "DCID" means Development Cooperation Implementation Division within DoR, or any successor thereto.

10. "Department of Customs" means the Recipient's Department of Customs within MoF, or any successor thereto.

11. "Department of Food Technology and Quality Control" means the Recipient's Department of Food Technology and Quality Control within MoALD, or any successor thereto.

12. "Department of Livestock Services" means the Recipient's Department of Livestock Services within MoALD, or any successor thereto.

13. "Department of Transport Management" means the Recipient's Department of Transport Management within MoPIT, or any successor thereto.

14. "DoR" means the Recipient's Department of Roads within MoPIT, or any successor thereto.

15. "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.

16. "Emergency Expenditures" means any of the Eligible Expenditures set forth in the CER Annex, in accordance with the provision of Section I.F of Schedule 2 to this Agreement, and required for the activities described in such annex to be financed under the CER Part.

17. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated May 6, 2020, as the same 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.

18. "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"; (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Association.

19. "Fiscal Quadrimester" means each of the following four (4) month periods within the same Fiscal Year, namely on or around: (a) July 16 to November 15; (b) November 16 to March 15; and (c) March 16 to July 15.

20. "Fiscal Year" means a fiscal year of the Recipient, commencing on or around July 16 of a calendar year and concluding on or around July 15 of the next following calendar year.

21. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018.

22. "Incremental Operating Costs" means reasonable costs incurred by the Recipient for purposes of the management and supervision of the Project, including costs of office utilities and supplies, communication, printing services, bank charges, advertising expenses, vehicle rental, operation and maintenance of vehicles, office equipment and facilities, travel, lodging and per diem expenses, and salaries and allowances of contractual staff (other than consultants) for the Project; but excluding salaries and allowances of the Recipient's civil servants or other regular government staff.

23. "Item-Rate Contracts" means the item-rate construction composite contracts for improvement and upgradation of selected roads under the Project, whereby the contractor takes comprehensive responsibility for the execution and maintenance of the respective asset, in each case on the basis of the model form of agreement agreed between the Recipient and the Association.

24. "MoALD" means Recipient's Ministry of Agriculture and Livestock Development, or any successor thereto.

25. "MoF" means Recipient's Ministry of Finance, or any successor thereto.

26. "MoICS" means Recipient's Ministry of Industries, Commerce and Supplies, or any successor thereto.

27. "MoPIT" means Recipient's Ministry of Physical Infrastructure and Transport, or any successor thereto.

28. "National Planning Commission" means Recipient's National Planning Commission, or any successor thereto.

29. "National Road Safety Action Plan" or "RSAP" means a strategic outline of priority interventions on road safety to be undertaken by the relevant stakeholders aligned with a broader objective of achieving targeted outcomes for road safety.

30. "National Road Safety Council" means Recipient's National Road Safety Council, or any successor thereto.

31. "Nepal Police" means the Recipient's Nepal Police under the Recipient's Ministry of Home, or any successor thereto.

32. "NITDB" means the Nepal Intermodal Transport Development Board established by the Government of Nepal in 1998 in accordance with the provisions of Nepal's Development Board Act of 1998, with the objective of overseeing the economical and efficient management of inland clearance depots for facilitation of Nepal's foreign trade.

33. "Plant Quarantine and Pesticide Management Centre" means the Recipient's Plant Quarantine and Pesticide Management Centre within MoALD, or any successor thereto.

34. "PPP" means public private partnership.

35. "PPP Contracts" means the contracts for improvement or upgrading road, whereby the contractor takes comprehensive responsibility for the design, full or part-financing, execution and maintenance of the respective asset, in each case on the basis of the model form of agreement agreed between the Recipient and the Association.

36. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.

37. "Project Coordination Unit - DCID" means the unit referred to under Section I.A.2(d) of Schedule 2 to this Agreement.

38. "Project Coordination Unit - MoICS" means the unit referred to under Section I.A.2(c) of Schedule 2 to this Agreement.

39. "Project Implementation Manual" means the manual to be prepared, approved and adopted in accordance with Section I.D of Schedule 2 to this Agreement.

40. "Project Steering Committee" means the committee referred to under Section I.A.2(a) of Schedule 2 to this Agreement.

41. "Project Technical Committee" means the committee referred to under Section I.A.2(b) of Schedule 2 to this Agreement.

42. "Road Accident Information Management System" refers to the computer-based platform to record, manage and analyze data and information regarding road traffic crashes as used by the government of Nepal.

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. "Strategic Road Network" or "SRN" means the road network comprising around 13,000 kilometres of road within the territory of the Recipient that serves as the primary road network for physical and economic connectivity, and has been identified as SRN by the Recipient.

45. "Training" means the reasonable costs required for the participation of personnel involved in training activities, workshops, seminars, conferences and study tours under the Project, which have been approved by the Association in writing on a bi-annual basis, including: (a) travel, hotel, and subsistence costs associated to training, workshops, seminars, conferences and study tours provided that such costs are paid directly to the eligible recipient using the banking system; (b) costs associated with rental of training and workshop facilities; preparation and reproduction of training, workshop, seminar and conference materials; and other costs directly related to preparation and implementation of any training course, workshop, seminar, conference or study tour; and (c) tuition fees, travel, accommodation and per diem of trainer and trainees.