Financing Agreement

Project for Strengthening National Rural Transport Program

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 24, 2014
FINANCING AGREEMENT

AGREEMENT dated MARCH 24, 2014, entered into between NEPAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, "Financing") in the following amounts to assist in financing the Project as described in Schedule 1 to this Agreement ("Project"): 

(a) an amount equivalent to forty six million nine hundred thousand Special Drawing Rights (SDR 46,900,000) ("Grant"); and

(b) an amount equivalent to eighteen million three hundred thousand Special Drawing Rights (SDR 18,300,000) ("Credit").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are June 15 and December 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 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 through MoFALD and DoLIDAR, and cause each DDC and respective DTO and NVC to carry out, the Project with due diligence and efficiency, in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and in accordance with the provisions of Article IV of the General Conditions. The Recipient shall provide, and cause each DDC to provide, promptly as needed, the funds, facilities, services, and other resources required for the Project.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out by the Recipient, each DDC and DTO and NVC in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Recipient or any DDC or DTO shall have failed to perform any of its obligations under its respective Memorandum of Understanding.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Recipient or any DDC or DTO will be able to perform its obligations under its respective Memorandum of Understanding.

(c) The Recipient or any DDC or DTO shall have amended, suspended, abrogated, repealed, waived or failed to enforce any of the provisions of its Memorandum of Understanding so as to materially and adversely affect the carrying out of the activities under the Project.

ARTICLE V – EFFECTIVENESS; TERMINATION

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

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

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

6.02. The Recipient’s Address is:

    Ministry of Finance
    Government of Nepal
    Singha Durbar
    Kathmandu
    Nepal

    Facsimile:

    (977-1) 4211-164

6.03. The Association’s Address is:

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

    Facsimile:

    1-202-477-6391
AGREED at Kathmandu, Nepal, as of the day and year first above written.

NEPAL

By [Signature]

Authorized Representative

Name: Modhu K Mardo

Title: J S

INTERNATIONAL DEVELOPMENT ASSOCIATION

By [Signature]

Authorized Representative

Name: Johannes Zott

Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to enhance the availability and reliability of transport connectivity for rural communities in the Participating Districts.

The Project consists of the following parts:

Part A – Institutional Strengthening and Technical Assistance

1. Provision of technical assistance and training to the Participating Districts, DoLIDAR, MoFALD and NVC in the following areas, as appropriate to their Project roles and responsibilities, as specified in the Project Operations Manual:
   (a) planning of rural transport infrastructure improvement and maintenance activities;
   (b) preparation and implementation of activities related to environmental or social safeguards;
   (c) drafting or revising standards and specifications pertaining to rural transportation infrastructure;
   (d) technical implementation tasks such as site supervision, contract management, and quality control; and
   (e) staff training on specific technical, fiduciary or safeguards related subjects.

2. Facilitating beneficiary monitoring of works under Part B of the Project.

3. Carrying out an impact study of selected Project interventions.

4. Carrying out technical audits and verification activities as necessary to facilitate Part B of the Project.

5. Carrying out analytical studies and technical preparation activities related to market infrastructure improvement or maintenance.

Part B – Civil Works

1. Carrying out of periodic and routine road and crossing structure maintenance works.
2. Rehabilitation and upgrading of roads and development of crossing structures as needed to provide all-weather connectivity.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Central Project Coordination Unit (CPCU) and Project Management Units (PMUs)

1. The Recipient shall maintain the CPCU with an adequate number of professional staff with skills, qualifications, experience and terms of reference satisfactory to the Association, to enable the CPCU to: (i) undertake overall Project monitoring, evaluation, and safeguards coordination; (ii) manage the interface with the Association, including fulfilling Project reporting requirements; and (iii) provide specialized technical inputs on demand to the Participating Districts.

2. The Recipient shall maintain two (20 regionally based PMUs in locations satisfactory to the Association, each with an adequate number of professional staff with skills, qualifications, experience and terms of reference satisfactory to the Association, to enable such units to provide technical support and supervision to the Participating Districts.

3. The Recipient shall ensure that the key staff in the CPCU and the PMUs are not transferred to other positions during the period of Project implementation (and in the case of accounts officers, until six (6) months following the Closing Date or until the submission of the final audited Financial Statements to the Association pursuant to Section II of Schedule 2 to this Agreement, whichever occurs later), except with prior notice to the Association and as required by the applicable laws of the Recipient.

District Technical Office (DTO)

4. For the purposes of Part B the Recipient shall ensure and cause each DDC to ensure that the DTOs in each Participating District are maintained with an adequate number of professional staff with skills, qualifications, experience and terms of reference satisfactory to the Association, and as specified in the Project Operations Manual.

B. Implementation Arrangements

1. The Recipient shall execute with each DDC a Memorandum of Understanding, satisfactory to the Association, including the provisions set forth in Schedule 2 to this Agreement, as appropriate, and promptly upon such execution furnish a copy thereof to the Association, before such DDC or related DTO participates in any
activities under the Project. If any provision of any such Memorandum of Understanding is inconsistent with a provision of this Agreement, the provision of this Agreement shall govern.

2. The Recipient shall cause each DDC to perform in accordance with the provisions of the applicable Memorandum of Understanding all the obligations of such DDC therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable such DDC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

3. The Recipient shall exercise its rights under each Memorandum of Understanding in such manner as to: (i) protect the interests of the Recipient and the Association; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Memorandum of Understanding or any of its provisions.

4. The Recipient and the Association hereby agree that the obligations set forth in Sections 4.04, 4.05, 4.06, 4.07 and 4.11 of the General Conditions (relating to insurance; land acquisition; use of goods, works and services, maintenance of facilities; plans, documents, records; and visits; respectively) in respect of the activities to be carried out by each DDC shall be carried out by such DDC pursuant to its Memorandum of Understanding.

**District Participation**

5. The Recipient and the Association shall periodically review each Participating District’s eligibility to participate in the Project, based on the districts’ performance under the Part B of the Project.

**Maintenance Works**

6. The Recipient shall comply and, through the Memoranda of Understanding, cause each Participating District to comply, with the deadlines specified in the Project Operations Manual for planning, implementing, and verifying completion of maintenance works under Part B.1 of the Project.

7. The Recipient shall make available to each DDC under its Memorandum of Understanding, in a timely manner in each Fiscal Year, funds from its own resources, in the proportions specified in the Project Operations Manual, to support the upfront costs of periodic and routine maintenance works under Part B.1 of the Project.
8. In the event that any works under Part B.1 of the Project fail the Verification Test, the Recipient shall take, and cause the relevant DDC and DTO to take, such remedial measures as shall be appropriate. Without limitation to the aforementioned provision:

(a) when major corrections are needed to reach substantial completion of a relevant MPI, the Recipient shall, *inter alia*: (i) cause the relevant PMU to assist the DDCs and DTOs in pursuing contractual remedies under the corresponding contract; and (ii) cause the relevant PMU to coordinate with DDCs and DTOs on addressing technical audit observations; and

(b) when major non-rectifiable deviations from agreed specifications are found, the Recipient shall, *inter alia*: (i) cancel any financial commitment related to such non-rectifiable deviation; and (ii) initiate the appropriate departmental actions and/or refer the case to the relevant Recipient’s authorities.

**Technical Audit**

9. The Recipient shall cause NVC to (a) by no later than September 1 of each year, starting no later than three (3) months after the Effective Date, to hire Technical Auditors to carry out technical audits under Part B of the Project in accordance with the provisions of Section III of this Schedule 2; and (b) as soon as practicable thereafter provide such training as shall be required to enable such auditors to carry out such audits.

**Budgeting and Planning Processes for Part B**

10. The Recipient shall ensure that: (a) DDC issues the spending authority to DTO immediately upon receiving authorization of Project funds from DoLiDAR; and (b) DDC opens an account for the exclusive use of Project funds; and (c) the account mentioned in (b) above herein is only operated by the respective DTO; as specified in the Project Operations Manual.

11. The Recipient shall, on an annual basis, release authority to spend budgeted funds for the carrying out of Part B.1 of the Project in parallel with or before releasing authority to spend budgeted funds for carrying out Part B.2 of the Project unless otherwise agreed with the Association.

**Others**

12. In order to improve routine maintenance systems within the Project areas, the Recipient shall: (a) select a Specialized Entity in accordance with the provisions of Section III of Schedule 2 to this Agreement, and (b) thereafter, enter into an
agreement with such Specialized Entity under terms and conditions satisfactory to the Association.

C. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the GAAP.

D. **Safeguards**

1. The Recipient shall, no later than three years after the Effective Date of this Agreement:

   (a) adopt a framework satisfactory to the Association for managing the environmental and social impacts of the activities of DoLIDAR;

   (b) establish within DoLIDAR a dedicated internal unit for the purpose of managing social and environmental impacts, and provide such unit with the staff, funds, facilities, services, and other resources required to discharge its assigned responsibilities; and

   (c) develop, adopt and make operational a grievance redressal mechanism capable of collecting, tracking, and addressing complaints related to activities to DoLIDAR, including procurement of goods, works and services.

2. The Recipient shall cause each DDC to, ensure that: (i) its rural transport infrastructure improvement and maintenance activities are carried out in accordance with the provisions of the Environmental and Social Management Framework, including the provisions of each environmental management plan, resettlement action plan, vulnerable community development plan, voluntary land donation impact mitigation plan, and other environmental or social management plan prepared in accordance with such Framework; and (ii) no action is taken which would prevent or interfere with such implementation. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, this Agreement shall prevail.

3. Wherever required pursuant to the terms of the ESMF due to a proposed activity, the Recipient shall and shall cause the relevant DDC to, prior to the commencement of such activity, proceed to have an environmental management plan, resettlement action plan, vulnerable community development plan or voluntary land donation impact mitigation plan as the case may be:

   (a) prepared in form and substance satisfactory to the Association;
(b) except as otherwise agreed with the Association in writing, submitted to the Association for review and approval; and

(c) thereafter, adopted and locally disclosed.

4. The Recipient shall ensure, and cause each DDC to ensure, that each contract for civil works required for rural transport infrastructure improvement activities includes the obligation of the relevant contractor to implement, monitor and evaluate the Safeguards Instruments.

5. Without limitation to the provisions of Section II, Part A.1 of this Schedule 2, the Recipient shall take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:

(a) the measures taken in furtherance of the Safeguards Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and

(c) remedial measures taken or required to be taken to address such conditions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one (1) Fiscal Year trimester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Reports not later than forty-five (45) days after the end of each Fiscal Year trimester, interim unaudited
financial reports for the Project covering the Fiscal Year trimester, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out in Part E of this Schedule 2; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures acceptable to the Association.
C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

E. National Competitive Bidding

The following additional procedures shall apply to goods and works procured on the basis of National Competitive Bidding:

1. Only the model bidding documents for National Competitive Bidding agreed with the Association (as amended from time to time), including qualification criteria shall be used;

2. Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

3. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;

4. Bids shall be opened in public in one place, immediately after the deadline for submission of bids;

5. Qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;
6. Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association and contracts shall be awarded to the lowest evaluated bidders;

7. Rebidding shall not be carried out without the prior concurrence of the Association;

8. Extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it is longer than four (4) weeks and (B) for all subsequent requests for extension irrespective of the period; and

9. There shall not be any restrictions on the means of delivery of the bids.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, Training, Incremental Operating Costs and consultants’ services for the Project, other than Part B.1 thereof</td>
<td></td>
<td>12,810,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works under Part B.1 of the Project</td>
<td></td>
<td>650,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Works under Part B.2 of the Project</td>
<td>18,300,000</td>
<td>33,440,000</td>
<td>75%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>18,300,000</strong></td>
<td><strong>46,900,000</strong></td>
<td><strong>75%</strong></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
   (a) for payments made prior to the date of this Agreement;
   (b) for payments under Categories (2) and (3) unless and until the Recipient has prepared and adopted the Project Operations Manual, satisfactory to the Association.
   (c) for payments made for expenditures for goods, works or consultants’ services supplied under a contract which the Association or any national or international agency or organization, shall have financed or agreed to finance under any other credit, loan or grant.

2. Notwithstanding the provisions of Part A of this Section:
   (a) Except as the Association may otherwise agree in writing, withdrawals under Category (2) shall be indicator-linked and shall be available for withdrawal by the Recipient subject to: (i) such Participating District having met the targets for each of the Maintenance Performance
Indicators for the relevant Fiscal Year set out in the Attachment to this Schedule 2, and further described in the following paragraph, in each case in a manner satisfactory to the Association; and (ii) the Association having received, through the Recipient, a satisfactory summarized version of the reports furnished by the Technical Auditors for such works have passed the Verification Test.

(b) The Association shall, at its sole discretion, withhold the amount allocated to any Maintenance Performance Indicator set out in the Attachment to this Schedule 2 if the Association determines that such Maintenance Performance Indicator has not been fully achieved.

3. The Closing Date is July 15, 2019.

C. Other Undertakings

The Recipient shall ensure that total amount of disbursements against achievement of MPIs under the Project does not exceed the total amount of expenditures incurred by the Recipient under Part B.1 of the Project.
### ATTACHMENT TO SCHEDULE 2

**Maintenance Performance Indicators**

<table>
<thead>
<tr>
<th>Maintenance Class</th>
<th>Terai District</th>
<th>Hill / Mountain District</th>
<th>Unit of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Periodic road maintenance</td>
<td>MPI-1T: NPR 284,000</td>
<td>MPI-1HM: NPR 300,000</td>
<td>per kilometer</td>
</tr>
<tr>
<td>Routine road maintenance</td>
<td>MPI-2T: NPR 25,000</td>
<td>MPI-2HM: NPR 33,000</td>
<td>per kilometer</td>
</tr>
<tr>
<td>Periodic bridge maintenance</td>
<td>MPI-3T: NPR 40,000</td>
<td>MPI-3HM: NPR 45,000</td>
<td>per meter of a completed discrete structure</td>
</tr>
<tr>
<td>Periodic causeway maintenance</td>
<td>MPI-4T: NPR 12,000</td>
<td>MPI-4HM: NPR 15,000</td>
<td>per meter of a completed discrete structure</td>
</tr>
<tr>
<td>Routine crossing structure</td>
<td>MPI-5T:</td>
<td>MPI-5HM:</td>
<td>per meter of a completed discrete structure</td>
</tr>
<tr>
<td>maintenance (bridge &amp; causeway)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* MPIs for road maintenance (MPI-1, MPI-2) will scale according to each kilometer of road maintenance verified as substantially complete. MPIs for crossing structure maintenance (MPI-3, MPI-4, and MPI-5) will scale according to each meter of a discrete structure verified as substantially complete. Disbursements against MPIs for any single discrete crossing structure will be ‘all or nothing.’ No partial disbursements for a single discrete crossing structure will be possible.
# SCHEDULE 3

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>commencing June 15, 2024 to and including December 15, 2033</td>
<td>1%</td>
</tr>
<tr>
<td>commencing June 15, 2034 to and including December 15, 2053</td>
<td>2%</td>
</tr>
</tbody>
</table>

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

Definitions

1. “Affected Persons” means persons who, on account of implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “Conditional Grants” means the grants to be provided by the Recipient out of its own funds to each Participating District at the start of each Fiscal Year to pre-finance part of the period and routine and road and crossing structure maintenance works to be carried out by such Participating District in that Fiscal Year.


6. “CPCU” means the Central Project Coordination Unit to be maintained by the Recipient as provided for in Schedule 2, Section I, Part A.1 to this Agreement for purposes of Project monitoring, evaluation, and reporting including safeguards coordination and providing specialized technical inputs to the Participating Districts.

7. “District Development Committee” or “DDC” means the decentralized local body established at the district level of each of the districts of the Recipient under the Local Self Governance Act, 2055 (1999) of the Recipient and selected to participate in the carrying out and approval of the activities under the Project, or any successor thereto.

8. “District Development Fund” or “DDF” means the fund created in each DDC for channeling funds from the central budget and other sources.
9. “District Technical Office” or “DTO” means the technical office of each DDC responsible for, *inter alia*, the planning, implementation and supervision of the district’s infrastructure investments, including the activities to be carried out under the Project at the district level, or any successor thereto.

10. “DoLIDAR” means the Department of Local Infrastructure Development and Agriculture Roads of MoFALD, or any successor thereto.

11. “Environmental and Social Management Framework” and “ESMF” mean the Recipient’s framework, acceptable to the Association, and duly disclosed in the Recipient’s territory on October 25, 2013, for undertaking environmental and social analysis and developing mitigation measures for the rural transport infrastructure improvement activities of the Participating Districts, and providing, among other things, for: (a) the institutional arrangements for implementation of environmental safeguards in the carrying out such activities; (b) details of potential environmental issues that may arise and the necessary background for environmental considerations to be built into the design of such activities; (c) detailed guidelines on when and how to prepare Environmental Impact Assessments, Initial Environmental Examinations and Environmental Management Plans; (d) guidelines and procedures for social safeguard screening and impact assessment, including guidelines and procedures for stakeholder consultation and participation; (e) land acquisition and resettlement principles and objectives, and design criteria to be applied to any resettlement required under the Project; (f) a compensation/entitlement matrix developed to compensate any Affected Persons; (g) detailed guidelines on when and how to prepare Resettlement Action Plans and Voluntary Land Donation Impact Mitigation Plans; (h) measures to monitor and report upon activities for environmental and social impacts, and, if necessary, to assist in mitigation of such impacts; and (i) a grievance redress mechanism.

12. “Fiscal Year” means the fiscal year of the Recipient which commences on July 15 in each year.

13. “GAAP” means the Recipient’s Governance and Accountability Action Plan means dated October 31, 2013, acceptable to the Association, which identifies key governance issues under the Project and set forth mitigation actions to address said issues; as said plan may be modified from time to time with the prior written agreement of the Association.


16. “Incremental Operating Costs” means Project-related incremental operating costs incurred on account of implementation, management and monitoring, dissemination of Project-related information, office equipment, consumables, maintenance and repair of vehicles, vehicle rental/leasing, equipment maintenance and repair, travel, including travel to Project sites, communication, commercial bank charges, advertising, and other costs directly associated with the Project, but excluding the salaries and benefits of the Recipient’s civil servants.

17. “Memorandum of Understanding” means the agreement to be entered into between the Recipient and each DDC and furnished to the Association pursuant to Schedule 2, Section I, Part B of this Agreement.

18. “MoFALD” means the Ministry of Federal Affairs and Local Development of the Recipient, or any successor thereto.


21. “NVC” means the National Vigilance Centre of the Recipient or any successor thereto.

22. “Participating District” means a district in the territory of the Recipient that meets the criteria specified in the Project Operations Manual for participating in the Project, has been selected to participate in the Project, and has signed a valid Memorandum of Understanding as provided for in Schedule 2, Section 1, Part B. to this Agreement.

23. “PMU” means the project management unit referred to in Sections I.A.2 and 3 of Schedule 2 to this Agreement.


25. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 8, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

26. “Project Operations Manual” means the manual, acceptable to the Association, to be developed by the Recipient, which set forth, *inter alia*: (a) the allocation of functions, powers and responsibilities among all the relevant entities, departments and units involved in the implementation of the Project; (b) the
financial management arrangements consistent with Section III of Schedule 2 to this Agreement; (c) the eligibility criteria for selecting a Participating District; (d) the criteria for planning, implementing, and verifying completion of maintenance works under Part B.1 of the Project; (e) the terms and conditions of a Memorandum of Understanding; and (f) the monitoring and evaluation framework for Project activities; as such manual may be amended from time to time with the prior agreement of the Association.


28. "Specialized Entity" means a qualified entity with experience of organizing and operationalizing routine maintenance schemes with particular emphasis to the length-person-based routine maintenance and access to international expertise as required, which shall provide highly specialized technical assistance to the Recipient during the implementation of the Project.

29. "Technical Auditors" means the auditors to be contracted by NVC to carry out technical audits of the activities of the Participating Districts under Part B of the Project.


31. "Training" means reasonable and necessary costs of training related to Project implementation, including the fees owed to educational and other institutions that provide training, costs related to attendance and organization of conferences, seminars, study tours and workshops, and the trainees’ cost of travel, boarding, lodging and per diem allowances.

32. "Verification Test" means the test to be undertaken by Technical Auditors on the routine and periodic road maintenance carried out by each Participating District for the purposes of determining if such District has achieved the Maintenance Performance Indicators set out in the Attachment to Schedule 2 to this Agreement.