

No. 11181

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
NEPAL**

Development Credit Agreement—*Highway Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on 21 December 1970

Authentic text : English.

Registered by the International Development Association on 22 June 1971.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
NÉPAL**

Contrat de crédit de développement — *Projet relatif au réseau routier* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 21 décembre 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 22 juin 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated December 21, 1970, between KINGDOM OF NEPAL (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to two million five hundred thousand dollars (\$2,500,000).

Section 2.02. Except as the Borrower and the Association shall otherwise agree, the amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Development Credit Agreement; provided, however, that no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

¹ Came into force on 3 February 1971, upon notification by the Association to the Government of Nepal.

² See p. 134 of this volume.

Section 2.03. The Closing Date shall be June 30, 1975 or such other date as shall be agreed between the Borrower and the Association.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. Service charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each March 15 and September 15 commencing March 15, 1981 and ending September 15, 2020, each installment to and including the installment payable on September 15, 1990 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Section 2.07. The currency of the United States of America is hereby specified for purposes of Section 4.02 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. In carrying out Part D of the Project, the Borrower shall employ engineering consultants mutually acceptable to the Borrower and the Association upon terms and conditions satisfactory to the Association.

Section 3.03. (a) Except as the Association shall otherwise agree, (i) the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures as shall be agreed between the Association and the Borrower, and (ii) contracts for the procurement of all goods and services to be financed out of the proceeds of the Credit shall be subject to the prior approval of the Association.

(b) The Borrower undertakes to insure, or make adequate provision for insurance of, the imported goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for

such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(c) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.04. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, contract documents, construction schedules and work schedules for the Project, and any material modifications or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

Article IV

OTHER COVENANTS

Section 4.01. The Borrower shall collect and record, in accordance with appropriate statistical methods and procedures, such information concerning road traffic, road construction and road maintenance costs as shall be reasonably required for proper planning of maintenance, improvements and extensions of its public roads system.

Section 4.02. The Borrower shall take all measures required to introduce revised regulations limiting the size and weight of vehicles to those consistent with the capacity of its road network and to ensure that such regulations are effectively enforced.

Section 4.03. The Borrower shall : (i) cause the roads, bridges and other road structures under the jurisdiction of the Roads Department of the Borrower's Ministry of Works, Transport and Communications within the regions of Bagmati, Narayani, Gandaki and Lumbini to be adequately maintained and shall cause all necessary repairs thereof to be made promptly, all in accordance with sound engineering practices; and (ii) make all necessary arrangements, satisfactory to the Association, for the timely provision of funds, facilities, services, equipment and other resources required for that purpose.

Section 4.04. (a) In order to assist in the carrying out of Parts A, B and C of the Project, the Borrower shall engage the services of the technical assistance team of qualified and experienced experts described in Schedule 3 to this Agreement, as such Schedule may be modified by agreement between the Borrower and the Association. The terms and conditions of employment of such experts shall be mutually satisfactory to the Borrower and the Association.

(b) The Borrower shall furnish or cause the Association to be furnished with the reports and recommendations of the experts referred to in paragraph (a) of this Section, and shall determine in consultation with the Association the recommendations to be implemented and the timetable for their implementation.

(c) Upon completion of the services of the technical assistance team of experts referred to in paragraph (a) of this Section or by December 31, 1972, whichever shall be the earlier, the Borrower shall consult with the Association in order to review the work of the said technical assistance team and to assess the Borrower's requirements for additional technical assistance services.

Article V

CONSULTATION AND INFORMATION

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the administration, operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof; and shall furnish or cause to be furnished

to the Association all such information as the Association shall reasonably request concerning the operations and financial condition, in respect of the Project, of such departments or agencies.

(b) The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof, or the performance by the Borrower of its other obligations under the Development Credit Agreement.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE ASSOCIATION

Section 7.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The date April 1, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.02. The obligations of the Borrower under Sections 3.04 (b), 4.01, 4.02, 4.03 and 5.02 (a) of this Agreement shall terminate on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Secretary to the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

For the Borrower :

Secretary to the Ministry of Finance

Singha Durbar

Kathmandu, Nepal

Cable address :

Artha

Kathmandu

For the Association :

International Development Association

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address :

Indevas

Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Kingdom of Nepal :

By KUL SHEKHAR SHARMA

Authorized Representative

International Development Association :

By J. BURKE KNAPP

Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of items to be financed out of the proceeds of the Credit, the allocation of amounts of the Credit to each category and the percentage of eligible expenditures so to be financed in each category :

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. The replacement of five road bridges under Part A of the Project	500,000	60% of total expenditures (representing the estimated foreign expenditure component)
II. Equipment and materials for erection of five pedestrian suspension bridges under Part B of the Project	220,000	100% of foreign expenditures
III. Materials for workshops, road maintenance and workshop equipment, and provision of workshops, under Part C of the Project	1,550,000	100% of foreign expenditures
IV. Consulting services under Part D of the Project	30,000	100% of foreign expenditures
V. Unallocated	200,000	
TOTAL	2,500,000	

2. For the purposes of this Schedule :

(a) The term "foreign expenditures" means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any member of the Bank (other than the Borrower) or of Switzerland;

(b) The term "local expenditures" means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and

(c) The term "total expenditures" means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

(a) expenditures prior to the date of this Agreement, except that withdrawals may be made in respect of Category IV on account of expenditures incurred after March 1, 1970; and

(b) payments for taxes imposed by the Borrower or any of its political subdivisions on goods or services, or on the importation, manufacture, procurement or supply

thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association in respect of any other expenditures.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of expenditures under any Category shall increase and no proceeds of the Credit are available for reallocation to such Category, the Association may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the following Parts A, B, C and D.

Part A. The replacement of the following five road bridges :

1. The Dhobi Khola bridge, located on the road between Kathmandu City and the City airport;
2. The Bishnumati (Balaju) bridge, located on the road between Kathmandu and Trisuli; and
3. The Amlekhganj No. 1 bridge, the Amlekhganj No. 2 bridge and the Parwanipur bridge, all located on the road between Birganj and Hitaura.

All road bridges will be designed to Nepal Class A loading (28 ton trucks with two 14 ton trailers).

Part B. The supply and erection of five pedestrian suspension bridges at the following locations :

1. The Kabeli river, near Phidim village;
2. The Tamor river, near the town of Taplejung;

3. The Kali Gandaki river, near Purtighat village;
4. The Kali Gandaki river, near Ranighat village; and
5. The Ulli Khola river, near Gulmi village.

The suspension bridges, which will be for the use of pedestrians and domestic animals only, will be designed for a live load of 400 kg/m².

Part C. A Four-Year Road Maintenance Program concentrating on the three divisions of Kathmandu, Hitaura and Pokhara. The Program will include the improvement of maintenance operations; the acquisition of road maintenance equipment, together with spare parts for new and existing equipment; and the construction and extension of workshops, together with the acquisition of workshop machinery.

Part D. Provision of engineering services to complete detailed engineering, cost estimates and bidding documents for Parts A and B above.
The Project is expected to be completed by June 30, 1974.

SCHEDULE 3

TECHNICAL ASSISTANCE TEAM

Technical assistance will be provided by a team of six experts retained for an initial period of two years to advise and assist the Borrower in the execution of Parts A, B and C of the Project. The team will be composed of the following :

- (i) Project Manager;
- (ii) Bridge Engineer;
- (iii) Highway Engineer;
- (iv) Road Maintenance Engineer;
- (v) Mechanical Engineer;
- (vi) Mechanical Technician.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 703, p. 244.*]