

**Government of Nepal
Ministry of Local Development
Department of Local Infrastructure Development and Agricultural Roads
Rural Reconstruction and Rehabilitation Sector Development Project**



**MEMORANDUM OF UNDERSTANDING (MoU)
BETWEEN
DEPARTMENT OF LOCAL INFRASTRUCTURE DEVELOPMENT AND
AGRICULTURAL ROADS (DoLIDAR),
ASIAN DEVELOPMENT BANK (ADB)
AND
SWISS AGENCY FOR DEVELOPMENT AND COOPERATION (SDC)**



11 May 2009

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Abbreviations

ADB:	Asian Development Bank
BG:	Building Group
CISC:	Central Implementation Support Consultant
DDC:	District Development Committee
DIST:	District Implementation Support Team
DoLIDAR:	Department of Local Infrastructure Development and Agricultural Road
DPO:	District Project Office
DRCC:	District Road Coordination Committee
DRSP:	District Roads Support Program
DTO:	District Technical Office
GoN:	Government of Nepal
LEP:	Labour-based, Environment-friendly and Participatory
MLD:	Ministry of Local Development
MoU:	Memorandum of Understanding
NEP:	Nepal
NGO:	Non Governmental Organization
PAM:	Project Administration Memorandum
PCU:	Project Coordination Unit
PICC:	Project Implementation Coordination Committee
PPM:	Project Procedural Manual
RRRSDP:	Rural Reconstruction and Rehabilitation Sector Development Project
SDC:	Swiss Agency for Development and Cooperation
US\$:	United States Dollars
VDC:	Village Development Committee



Rural Reconstruction and Rehabilitation Sector Development Project

MEMORANDUM OF UNDERSTANDING (MoU)

BETWEEN

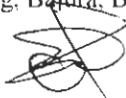
DEPARTMENT OF LOCAL INFRASTRUCTURE DEVELOPMENT AND AGRICULTURAL ROADS (DoLIDAR), ASIAN DEVELOPMENT BANK (ADB) AND SWISS AGENCY FOR DEVELOPMENT AND COOPERATION (SDC)

1. PREAMBLE

- 1.1. Whereas the Government of Nepal (GoN) and the Asian Development Bank (ADB) have entered into a grant agreement (ADB Grant No.0093 NEP dated 14 January 2008) to implement the Rural Reconstruction and Rehabilitation Sector Development Project (RRRSDP) in 20 districts¹ of Nepal ("the core Project districts). The RRRSDP will also provide complementary support to the existing 18 Decentralized Rural Infrastructure and Livelihoods Project (DRILP) districts² for investments in supplementary infrastructures including rural water supply, sanitation subprojects and trail bridges.
- 1.2. Whereas GoN and the Government of Switzerland, represented by the Swiss Agency for Development and Cooperation (SDC), have entered into an agreement dated 9 November 2006 to implement the District Roads Support Program, Phase III (DRSP III) in six hill districts of Nepal namely Kavre, Dolakha, Sindhupalchowk, Ramechhap, Sindhuli, and Okhaldhunga. This agreement, together with the agreement referred to under paragraph 1.1. above, will collectively be referred to as "the agreements".
- 1.3. Whereas SDC has agreed to provide parallel and tied grant co-financing to support the provision of the district-level technical and social assistance services (TA) to support the District Project Offices (DPOs) of four districts namely Kavre, Sindhupalchowk, Dolakha, and Sindhuli.
- 1.4. This umbrella Memorandum of Understanding (MoU) sets out the general terms and principles of this tripartite (GON, ADB and SDC) institutional collaboration for RRRSDP. The relevant agreements mentioned in paragraph 1.1 and 1.2, except Ramechhap and Okhaldhunga which guide the collaboration among the three project partners, are also valid for the RRRSDP.
- 1.5. Before commencing project activities in any community, Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR) and all the

¹ The 20 new districts for RRRSDP are Panchthar, Ilam, Jhapa, Morang, Sunsari, and Dhankuta from the Eastern Development Region; Sindhuli, Dolakha, Sindhupalchowk, Kavrepalanchowk, Lalitpur, Bhaktapur, Kathmandu, and Chitawan from the Central Development Region; Manang, Mustang, and Pariat from the Western Development Region; Rolpa and Rukum from the Mid-Western Development Region; and Dadeldhura from the Far-Western Development Region.

² The 18 DRILP districts are Taplejung, Solukhumbu, and Okhaldhunga from the Eastern Development Region; Ramechhap from Central Development Region; Gorakha, Lamjung, Myagdi, and Baglung from the Western Development Region; Humla, Mugu, Kalikot, Jumla, Dolpa, and Jajarkot from the Mid-Western Development Region; and Bajhang, Bajura, Baitadi, and Darchula from the Far-Western Development Region.



participating District Development Committees (DDCs) will separately enter into a Memorandum of Understanding (MoU) for project operational measures including funding mechanism, provision of counterpart funds, staffing, auditing, reporting and coordinating mechanisms. The MoU between each DDC and DoLIDAR will be guided by the provisions of the agreements mentioned in paragraph 1.1 and 1.2 and this umbrella MoU between the DoLIDAR, ADB and SDC.

2. JUSTIFICATION AND OBJECTIVES OF THE COLLABORATION

2.1. This collaboration is aimed at:

- reducing the institutional redundancies and enhance efficiency and effectiveness of scarce resources and impacts at the community and district levels through elaboration of clear institutional framework of collaboration,
- supporting the implementation of harmonization and hence pilot Sector Wide Approach at the district level, and
- bringing together the best practices developed by different partner organizations for achieving sustainable project outputs and outcomes.

3. DURATION OF COLLABORATION

3.1. RRRSDP shall be implemented over a period of four years, from 1 January 2008 to 31 December 2011. While this MoU covers the entire project period, SDC's support for the TA beyond July 2010 shall be contingent upon SDC's decision for the extension of the current phase of DRSP III.

4. MAIN PROJECT FEATURES

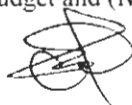
4.1. RRRSDP will be located in 38 districts as specified in paragraph 1.1.

4.2. The project goal is to improve connectivity of rural communities, enhanced economic and employment opportunities, and increased access to market and social services for rural communities. The Project outputs include (i) improved rural roads; (ii) developed and improved community-based supplementary rural infrastructure; (iii) enhanced equity, employment, and income opportunities for the poor and disadvantaged³; (iv) strengthened institutional capacity of MLD, DOLIDAR, DDCs, and communities; and (v) improved project management.

4.3. In 20 non-DRILP districts, RRRSDP will provide about 859 km of rural roads to be improved or upgraded.⁴ The civil works will be for continuous roads only (not partial

³ For the purpose of the Project, disadvantaged groups are, as commonly understood, socially excluded castes (Dalits), ethnic groups, Madhesi middle caste group, minority Muslims, poor female headed households, and the isolated population from remote areas.

⁴ Qualifying civil works include: (i) reconstruction of damaged rural roads due to conflict; (ii) rehabilitation and preservation of rural roads which fell into disrepair during conflict, (iii) rural roads planned but not completed due to short fall of budget and (iv) rural roads which could not be completed due to conflict.



sections) that connect rural population to market centers, towns, and the higher road networks. The road construction will include an estimated 1,319 meters motorable bridges. The roads will be built to DOLIDAR standards, adopting an Labor Based, Environment Friendly and Participatory (LEP) approach.

- 4.4. In addition, investments in supplementary infrastructure will complement the rural road improvements by constructing and rehabilitating community, demand-driven supplementary infrastructure such as social and market facilities, school infrastructure, micro-irrigation, link trails, trail bridges,⁵ and rural water supply schemes(WSS)⁶. The investments will typically generate additional linkages and benefits in proximity to the rural road subprojects. Supplementary infrastructures will be implemented using LEP approach.
- 4.5. RRRSDP will adopt labour-based, environment-friendly and participatory (LEP) approach to the extent feasible to ensure that the investment in construction and rehabilitation of infrastructures results in sustainable, improved access to economic and social services, and enhanced social and financial capital.
- 4.6. Funds to the participating districts will be allocated on a performance basis. To qualify for funding, DDCs must have implemented and demonstrated a commitment to reduce poverty, and established and successfully operated a district rural road maintenance fund as per the Rural Roads Maintenance Directives of DoLIDAR.

5. IMPLEMENTATION ARRANGEMENTS⁷

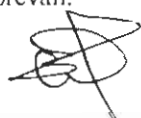
5.1. Project Management

- 5.1.1. The executing agency for the Project will be MLD, and DOLIDAR shall be the central implementing agency. A Project Coordinator at class one will head the Project Coordination Unit (the PCU) and report to the Secretary MLD through the Director General, DOLIDAR.
- 5.1.2. At the districts, responsible for local development and coordination, DDCs shall be the implementing agencies with the respective District Technical Offices (DTOs) being responsible for project management and technical matters.
- 5.1.3. GoN shall not transfer the Project Coordinator and senior officers for the term as specified in the Civil Service Act and its corresponding rules and regulations provided that their performance is satisfactory during the course of project period. Should transfer of such staff members become unavoidable, GoN, represented by the ministry concerned, shall start a timely consultation process with ADB and SDC before the final transfer decision shall be taken, to establish a

⁵ SDC, through an existing presence and capacity in the trail bridge sub-sector, will provide technical assistance and steel wire ropes including bulldog grips to support this trail bridge construction under RRRSDP.

⁶ Unlike the other supplementary infrastructure, WSS schemes are not tied to the proximity of the rural roads. A typical scheme will consist of an intake structure at an existing natural water source (such as a spring or a stream), a transmission pipeline, and a distribution network, with each supply point serving a group of 5 to 10 rural households.

⁷ In case of any discrepancy between this MOU and ADB's Grant Agreement documents, the Grant Agreement documents shall prevail.




transfer date acceptable to both parties and a time schedule suitable for smooth handing-over of the responsibilities.

- 5.1.4. A PCU shall be established in DOLIDAR,⁸ and a District Project Office (DPO)⁹ shall be established in each of the twenty core project districts. PCU, assisted by central implementation support consultants (CISC), will provide coordination and guidance for all facets of Project implementation, including engineering, safeguards (environment, social, and resettlement), financial management, and procurement. DPO, assisted by DIST, will (a) prepare annual work programs; (b) finalize detailed subproject designs; (c) ensure that all safeguard measures are complied with; (d) supervise all construction activities; (e) organize community level training; and (f) arrange procurement.
- 5.1.5. SDC shall support such district-level services in four DDCs specified in paragraph 1.3. Monitoring of these services and reporting to the DDCs (DTOs/DPOs) shall be the responsibility of the respective DPOs. DTO shall correspond on effectiveness of the services provided by DIST to PCU, periodically.
- 5.1.6. The PCU, shall prepare a Project Procedural Manual (PPM) defining the specifications, standards, methodologies, procedures and guidelines, and documentation for all key aspects of implementation of RRRSDP, which shall be agreed between the partners prior to implementation.
- 5.2. Procurement: RRRSDP shall follow procurement procedure specified in the Grant Agreement between GON and the ADB.
- 5.3. Land Acquisition and Resettlement: RRRSDP shall fulfill land acquisition and resettlement provisions as specified in the Grant Agreement between GON and the ADB and other relevant project documents, including the Project Administration Memorandum (PAM).
- 5.4. Disbursement Arrangements: RRRSDP shall follow disbursement provisions as specified in the Grant Agreement between GON and the ADB and other relevant project documents, including the PAM.
- 5.5. Accounting, Auditing and Reporting: RRRSDP shall follow accounting, auditing and reporting provisions as specified in the Grant Agreement between GON and the ADB and other relevant documents including PAM.
- 5.6. Project Performance Monitoring and Evaluation: RRRSDP shall follow project performance monitoring and evaluation as specified in the Grant Agreement between GON and the ADB and other relevant project documents including PAM.
- 5.7. Project Review: The partners (GON, ADB, and SDC and other Co-financers) shall jointly review the project at least twice a year, supplemented by a midterm review in 2009 or 2010.

⁸ PCU will have one project coordinator, two senior divisional engineers, five engineers, one sociologist, one environmental engineer, one resettlement officer, one account officer, two accountants, one computer operator, one assistant, two administrative assistants, four drivers, and three messengers.

⁹ Headed by the DTO chief, DPO will have one rural infrastructure engineer, one sub-engineer, two assistant sub-engineers, one accountant, one administrative staff, one computer operator, one driver, and two messengers.



5.8. Reporting: PCU shall provide trimesterly and annual progress reports to ADB and SDC.

5.9. DIST shall follow security guidelines from SDC.

6. PROJECT CONTRIBUTIONS AND RESOURCE COMMITMENTS

6.1. The estimated project cost is US\$ 106.8 million (revised) equivalent, inclusive of physical and price contingencies, taxes and duties, and interest and service charge during implementation of the Project.

6.2. The ADB is committed to provide a grant of US\$50.00 million, DFID £10 million equivalent and an additional loan of US \$ 10.00 from OPEC Fund for International Development (OFID) to the Project cost as specified in the Grant Agreement between the GON and ADB mentioned in paragraph 1.1 of this MoU and ADB's Board Paper on Major Change in Project Scope, Financing Plan and Administration of Grant Cofinancing.

6.3. The SDC is committed to provide a parallel grant assistance of US \$ 1.5 million equivalent to finance the Technical Assistance needs as follows:

6.3.1. About US\$800,000.00 for TA to implement the RRRSDP activities in the four districts of Kavre, Sindhupalchowk, Dolakha, and Sindhuli where District Roads Support Programme (DRSP) funded by SDC is being implemented (*Details are provided in attachment 1*). This technical assistance shall include the human resource needed in the DIST as indicated in Attachment 1. Other logistic support (eg. office space in the district, site offices, office hardware, office consumables etc) needed for this team shall be provided from PCU through its respective DPOs. This TA shall allow to have a single operational unit at the district for implementing both RRRSDP and DRSP, which will eventually help an integrated planning and implementation of rural transport projects. Therefore, this team shall also be responsible for the implementation of DRSP activities in the districts. Except the technical team leader and the social mobilisation officer, other team members shall be extra to those needed in RRRSDP.

6.3.2. About US\$700,000.00 for the TA to implement trail bridges component within RRRSDP in thirteen districts¹⁰ of Nepal through Trail Bridge Sub-Sector Programme (TBSSP). Such a TA will also include the steel wire ropes and the bull dog grips needed to construct trail bridges (*Details are provided in attachment 2*).

6.4. GON is committed to provide US \$ 21.30 million equivalent, or 20 % of the project cost as specified in the Grant Agreement between GON and ADB mentioned in paragraph 1.1 of this MoU and the ADB's Board Paper.

¹⁰ Even though RRRSDP is being implemented in 38 districts, only 13 among them qualify for the trail bridge construction as other districts have already been supported through DRILP funded by ADB and Rural Access Improvement and Decentralised Project. The names of the district are Panchthar, Illam, Sindhuli, Morang, Dhankuta, Kavre, Lalitpur, Sindhupalchok, Dolakha, Chitwan, Parbat, Rolpa, Dadeldhura. We estimate that an extra 100-150 trail bridges can be built in these 16 districts.

- 6.5. Communities that benefit from supplementary livelihood-enhancement investments will contribute US \$ 4.0 million equivalent or 3.75 % of the project cost in implementing supplementary investment.
- 6.6. GoN may enter into agreement with other development partners to bring in more resources to the Project.
- 6.7. SDC shall provide annual statement of expenditure of this component as mentioned in 6.3, upon the request of PCU. PCU shall submit this annual report to Office of the Auditor General, which will make easy to certify the project account of each fiscal year.
- 6.8. PCU shall provide SDC one copy of the Annual Audited Statements for RRRSDP.

7. ACTION IN THE EVENT OF ANY CHANGES

- 7.1. If any changes occur which, in the opinion of any of the partners to this MoU impairs significantly the development value of the Project, the partners will consult on measures to resolve the problem and agree courses of action. In the event of such change, each partner has the right to modify or terminate its financial contribution to the Project provided it gives three months notice to such action.
- 7.2. In the event that one of the partners withdraws from this agreement, outstanding issues will be concluded in consultation and arrangement with remaining partners.

On behalf of GoN/MoLD

On behalf of SDC

On behalf of ADB





Name: Dhana B. Tamang

Name: Jean- Marc Clavel

Name: Barry J. Hitchcock

Director General,
DoLIDAR

Country Director,
SDC

Country Director
ADB

Office Seal:

Office Seal:

Office Seal:



Composition of DIST Per District

	Staff	DRSP proposal		
		person -month average	\$'000 /mon	\$'000 total
A.	Technical Staff			
1	Rural Infrastructure Engineer, Team Leader	42	1	42
2	Civil Engineer, Deputy Team Leader	42	0.75	31.5
3	Social Development Officer	32	0.75	24
4	Resettlement Specialist	-	-	-
5	Environmental Specialist	-	-	-
6	Unallocated	-	-	-
	Subtotal	116	-	97.5
B.	Support Staff/District			
1	Junior Engineers/Overseers (2 persons)	84	0.5	42
2	Sub-overseers (4 persons)	168	0.15	25.2
3	Social Mobilizers/Facilitators (4 persons)	168	0.2	33.6
4	Accountant/Administrative Assistant			0
5	Support Staff	42	0.15	6.3
	Subtotal			107.1
	Travel Expenses and allowances (5%)			10.23
	Total for one district			204.6
Grand Total for providing TA for the four districts of KAVRE, SINDHUPALCHOWK, DOLAKHA and SINDHULI		4	204.6	818.4

apprx. \$ 800'000.00

Note:

1. Travel Expenses and Allowance to be managed through SDC Funds
2. In order to promote inclusion of women and Janjati/Dalits in the team, Junior programme specialists shall be recognized as professionals.
3. Resettlement and Environmental Specialist shall be backstopped from DRSP PSU in KTM
4. Site offices shall be maintained in each road corridor (within 1 hrs walking distance. Support staff shall be stationed in these offices. These expenses shall be borne through ADB/GoN funds
5. Logistics as indicated in the Sheet 2 shall be provided by RRRSDP PCU through ADB/GoN funds.

SDC's contribution in construction of bridges

Districts: Panchthar, Ilam, Sindhuli, Dolakha, Kavre, Sindhupalchowk, Lalitpur, Chitwan, Parbat, Rolpa, Dadeldhura, Morang, Dhankuta,

3 bridges/districts/year in 13 districts	117
Average Span per bridge in mtrs	90.00
Total length in mtrs.	10'530.00
Total cost @ NRs. 24,000/m excluding Technical Assistance	252'720'000.00
In USS.	3'610'285.71
SDC's contribution in construction for Wire ropes and bull dog grips (15%)	541'542.86
SDC's Contribution in providing Technical Assistance (Apprx6%)	216'617.14
Total SDC contribution in US \$ for trail bridge building under RRRSDP	758'160.00
	apprx. \$700'000.00

