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Nepal Urban Governance and Infrastructure Project

Project no. P163418

GAC Assessment of FY 2025/2026

Project Coordination Office (PCO)





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ACRONYMS

DPR	Detailed Project Report
DSC	Design and Supervision Consultant
DUDBC	Department of Urban Development and Building Construction
ESMF	Environment Social Management Framework
ESMP	Environment Social Management Plan
FY	Fiscal Year
GAC	Grant Access Condition
IDA	International Development Association
IPF	Infrastructure Project Financing
MAB	Most Advantageous Bid
MOF	Ministry of Finance
MoFAGA	Ministry of Federal Affairs and General Administration
NUGIP	Nepal Urban Governance and Infrastructure Project
PA	Participation Agreement
PCO	Project Coordination Office
PIM	Project Implementation Manual
PMST	Project Management Support Team
QCBS	Quality cost-based selection
RAP	Resettlement Action Plan
RFB	Request for Bids
RFP	Request For Proposal
SCW	Stakeholder Consultative Workshop
SPD	Standard Procurement Document
SRFP	Standard Request for Proposals
STEP	Systematic Tracking of Exchange in Procurement
SUTRA	Sub-National Treasury Regulatory Application
ToR	Terms of References
UDG	Urban Development Grant
USD	United States Dollar
VCDP	Vulnerable Community Development Plan
WB	World Bank

1 Background

The Project Implementation Manual (PIM) stipulates that, in order to receive Urban Development Grant (UDG) funding for their sub projects, municipalities must fulfill specific Grant Access Conditions (GACs).

To become eligible for the Urban Development Grant, a municipality must first sign, the Participation Agreement. Once signed, and unless revoked, this requirement is a one-time condition that remains valid for the entire duration of the project.

In addition, for the release of UDG funds, the municipality must meet the annually assessed Grant Access Conditions (GACs), which are reviewed prior to the finalization of the Government of Nepal's annual budget.

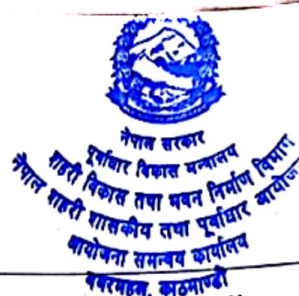
This report focuses on the assessment of GACs, which is necessary to determine municipal eligibility for receiving UDG funds for the upcoming Fiscal Year 2026/2027. The assessment is done based on the performance of the previous year FY 2024/2025.

Preparation of the GAC for FY 2025/26 could not be initiated by the usual timeline of 1 February 2026 as NUGIP was scheduled to conclude on 15 July 2026. However, due to slow progress in the implementation of some UDG subprojects, there was a risk that these activities would not be completed within this period. Consequently, a decision was made to extend NUGIP by one year, until 15 June 2027.

The Grant Access Criteria as outlined in the Project Implementation Manual (PIM) reflect fundamental principles of good governance and sound financial management. They are intended to ensure that the recipient municipality is capable of utilizing the Urban Development Grant (UDG) funds in compliance with project requirements, particularly in the areas of procurement, accounting, reporting, and application of the safeguard instruments. The four GACs against which the municipalities are assessed are presented in Table 1.

Table 1 Four Minimum Grant Access Conditions (GACs)

GAC topic	Description
1. Investment selection process	- The Municipality must have followed a process of project identification as described above and summarized in Table 2.4; Notably, project identification must be: based on a needs gap analysis / strong justification endorsed by citizens during consultations or be technically sound and have a solid justification - be compliant with the list of eligible activities - meet the ESMF criteria; and - be included in the 3-year urban infrastructure development plan



2. Procurement/Contract management	Continued municipality compliance with the World Bank's procurement regulation for IPF borrowers.
3. Environment and Social Safeguards	Continued compliance with the ESMP and other relevant safeguard documents such as ESMF, RAP and/or Vulnerable Community Development Plan (VCDP), with regards to implementation of identified mitigating measures (if any). E&S non-compliance observed through the field visit are addressed through Corrective Action Plans (CAP) and reported with PCO and Bank accordingly.
4. Transparent financial management and timely reporting	All Physical and Financial progress reports submitted within one month after the end of each quadrimester in the formats as described in PIM

The first GAC intends to check if the proposed investment(s) fulfil an urgent need and are seen as a priority by the citizens. The criterion coincides with successful completion of the investment planning and budgeting process which the municipalities need to adhere to. This GAC is particularly relevant for the first year of investments under the project, because, as for the participation agreement, once fulfilled, the condition is considered as 'met' for the duration of the project. It means that once the Detailed Project Reports (DPRs) are approved, the municipality is deemed to have properly followed the project selection process.

The other three GACs verify that the municipality follows the set guidelines for procurement, safeguard instruments and regular (quadrimester) reporting, both on physical and financial progress. These GACs stay relevant for the duration of the project and will need to be met as long as the investments are not finalized.

For any particular year, all applicable GACs must be met and failure to meet any (one or more) will lead to non-inclusion of any amount for the concerned municipality in the upcoming year's budget, which will delay project completion.

The annual assessment of the GACs will be conducted by the dedicated NUGIP team in MoID, using the checklist as provided in Annex 13 of PIM. The NUGIP Project Management Support Team (PMST) will assist the ministry in carrying out the exercise.

The assessment will be initiated as early February of each year and assess the municipality performance in the previous calendar year.

The assessment will start with a review of documented evidence, but will also include site visits and spot checks (if possible), notably for GAC 3 (i.e. for those municipalities that have an ESMP prepared) and to a lesser extent GAC-2. During the assessment, municipalities may be requested to provide additional information, whereby failure to provide such information in a timely manner may lead to a notation of not having met the GACs.

The site visits and spot checks are made if necessary. Team will be composed of one DUDBC staff, one member from the NUGIP/PMST and a representative from either MoF, MoFAGA, a line ministry or the concerned provincial government.

For the preparation of this report, no field visits specially targeting GAC has been made. PMST experts have been visiting the field at different intervals. GAC assessments are based on the information provided by field visits at different time intervals and also from regular reporting from the UDG municipalities. The information provided here under relates with the most recent visits.

Table 2: Field Visit details by PMST

S. N.	Date of Visit	Name of Consultants	Position	Purpose	Name of Municipality Visited
01	Feb 9 - 12, 2026	Bal Mukunda Pokhrel	Environment Safeguard Expert	E&S Monitoring	Mechinagar, Birtamod, Itahari
02	Feb 12 - 13, 2026	Jitendra Raj Shakya	Quality Management Expert	Project Works Quality Inspection	Mechinagar, Birtamod, Itahari,
03	Feb 12 - 13, 2026	Rakesh Kumar Dwivedi	Road Expert (International)	Project Work Inspection	Mechinagar, Birtamod, Itahari
04	Feb 20 - 22, 2026	Chowdhury Fazle Bari	Team Leader	Technical mission visit	Baglung, Vyas, Shuklagandaki, Pokhara,
05	Feb 20 - 22, 2026	Rakesh Kumar Dwivedi	Road Expert (International)	Technical mission visit	Baglung, Vyas, Shuklagandaki, Pokhara,
06	Feb 20 - 22, 2026	Bal Mukunda Pokhrel	Environment Safeguard Expert	Technical mission visit	Baglung, Vyas, Shuklagandaki, Pokhara,

2. Participatory Agreement Signing with UDGs Municipalities

The initial Participation Agreement expired on 3 March 2026. The Participation Agreement was renewed and signed on 3 March 2026 and has been extended until 3 March 2027.

3. Municipalities with Implementation activities

The UDG municipalities are at different stages of sub-project implementation. The subprojects in Damak, Urlabari, and Putalibazar municipalities were completed within the stipulated timeframe in 2025. Similarly, the subproject Tilottama-01, Tilottama-02, Pokhara-03, Mechinagar-01, Triyuga-02, Birtamod, Tansen have been physically completed recently and the final payment is expected to be released shortly.



The subprojects Itahari, Baglung, Pokhara-02, Sundarharaicha, Mechinagar-02, Rajbiraj, Dhankuta, Triyuga-01, Shuklagandaki, Ramgram, Pokhara 01 and Vyas are unlikely to be completed by 30 June 2026. Among the delayed subprojects, those in Sundarharaicha, Vyas, Shuklagandaki, and Pokhara-01 are experiencing critical implementation delays and require close monitoring.

1. Pokhara Metropolitan City

Pokhara Metropolitan City was among the first municipalities to initiate project implementation activities under NUGIP. One road improvement subproject was selected during the initial phase, while two additional subprojects were approved in FY 2023/24.

a) Talchowk–Begnas Road (3.284 km)

Construction is ongoing, with cumulative physical progress reaching 74.41%.

b) Dobilla–Bagmara Road (12.44 km)

Construction works ongoing, and cumulative physical progress has reached 93.82%.

c) Sisuwa–Sisaghat Road (4.14 km)

Construction has been completed, and only the final payment remains to be processed.

2. Tilottama Municipality

All construction works have been completed, and only final payments remain outstanding. Details of the subprojects are as follows:

a) Tilottama-01 (Mangalapur – Bebra Road) – 5.0 km

The subproject has achieved 87% physical progress and is physically completed.

b) Tilottama-02 (Bebra -Kanchibazzar Road) – 1.84 km

The subproject has achieved 86% physical progress and is physically completed.

3. Birtamod Municipality

The construction works are substantially completed, with only final payments remaining to be processed. Cumulative physical progress has reached 94%.

4. Damak Municipality

The subproject was successfully completed in May 2025.

5. Urlabari Municipality

The subproject was successfully completed in May 2025.

6. Ramgram Municipality

Construction works are ongoing, and cumulative physical progress has reached 74.54%.

7. Putalibazar Municipality

The subproject was successfully completed in May 2025.

8. Mechinagar Municipality

Implementation of the municipality's road improvement subprojects is progressing as follows:

- a) Mechinagar-01 (Suryodaya Marg) – 8.38 km

Construction has been completed, with cumulative physical progress reaching 97%.

- b) Mechinagar-02 (Shahid Marg) – 5.47 km

Construction is ongoing, with cumulative physical progress reaching 78.65%.

9. Tansen Municipality

The subproject has been completed. Cumulative physical progress reached 97%, and final payments to the contractor have been completed. Payments to the DSC are expected to be released shortly.

10. Shuklagandaki Municipality

Construction works are ongoing, and cumulative physical progress has reached 85.1%.

11. Triyuga Municipality

Implementation progress of the municipality's subprojects is as follows:

- a) Triyuga-01 (Different Interconnected Road) – 9.93 km

Construction is ongoing, with cumulative physical progress reaching 92%.

- b) Triyuga-02 (Sagarmatha Marg) – 6.68 km

Construction work has been completed, achieving cumulative physical progress of 97.3%.

12. Vyas Municipality

Construction works are ongoing, and cumulative physical progress has reached 43.21%.

13. Baglung Municipality

Only minor repair and maintenance works remain. The subproject has achieved cumulative physical progress of 99.5% and is nearing completion.

14. Itahari Municipality

Construction works nearing completion, with cumulative physical progress reaching 95.24%.

15. Dhankuta Municipality

Construction works are ongoing, with cumulative physical progress reaching 93.25%.

16. Rajbiraj Municipality

Construction works are ongoing, with cumulative physical progress reaching 87.95%.

17. Sundarharaicha Municipality

Construction works are ongoing, with cumulative physical progress reaching 91%.

4. GAC Assessment

The following section deals with the assessment of GAC. It is divided into three parts: UDG/ GAC-1&3, UDG/GAC 2 and 4. UDG/GAC 1&3 has been taken together because the two items are closely related with project selection and implementation.

4.1. UDG/ GAC – 1&3 assessment for municipalities

4.1.1 Pokhara Metropolitan City

Pokhara municipality is one of very early municipalities where implementation activities were initiated. The municipality had selected one road improvement project in the early stage and other two sub projects in FY 2023/24. The name of the first Sub-Project is "Improvement of Talchowk Begnas Road (P23.i)" (3.284km) other two subprojects are: Dobilla-Bagmara and Sisuwa-Sishaghat Road. The above two sub projects which are being considered for implementation have not followed the detailed process of selection. DPRs were directly prepared for the sub projects without following project selection process given in PIM.

Table 3. Outlines the process followed in selecting the ongoing sub project.

Table 3 UDG/ GAC – 1&3 for Pokhara Metropolitan

S.N.	Requirement for GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCW-I Report

S.N.	Requirement for GAC 1 and 3	Result	Remarks
2.	Strong Justification	Yes	Reference: a. Approved Feasibility Report, 6.1 "Alternative Road Option"- Project Justification
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Approved Feasibility Report, 2.4 (SCW-I and II) Annex A-SCW II Report b. Inception Report: SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Approved Feasibility Report, 2.4 "Details of Stakeholder Consultative Workshop – 2" (SCW-I and II); Annex A-SCW-II Report b. Inception Report: SCW-I
5.	Technically sound	Yes	Reference: a. Approved Feasibility Report
6.	Compliant with eligible sub-Projects and avoided Negative List of sub-Projects	Yes	Reference: a. Approved Feasibility Report, 7.2 and 8.2 "Project Categorization"
7.	Meet the ESMF criteria	Yes	Reference: a. ESIA for Talchowk- Begnas and ESMPs for other two road prepared, approved and implemented b. CESMP is in place and implemented c. GRM functional; altogether 86 grievances recoded and resolved d. SEA/SH CAP completed e. Grievances registered in WB GRS also resolved f. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.

S.N.	Requirement for GAC 1 and 3	Result	Remarks
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. "Approved Inception Report"; SCW-I
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Approved Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (including detailed design, safeguard document preparation and costing, drawings)	Yes	DPR, ESI/ESMP Approved
11.	Final Project Approval	Yes	Approved.

4.1.2 Tilottama Municipality

Table 4 gives information on Tilottama municipality where the project is under construction. The name of the Sub-Project is "Upgradation of Mangalapur Kanchibazar Road, Tilottama Municipality" (5km).

Table 4 UDG/ GAC – 1&3 for Tilottama Municipality

S.N.	Requirement for GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCW-I Report
2.	Strong Justification	Yes	Reference: a. Approved Feasibility Report, 7.1 "Alternative Road Option"- Project Justification
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Approved Feasibility Report, 3.4 (SCW-I and II) Annex A-SCW II Report b. Approved Inception Report, SCW-I

S.N.	Requirement for GAC 1 and 3	Result	Remarks
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Approved Feasibility Report, 3.4 "Details of Stakeholder Consultative Workshop - 2" (SCW-I and II); Annex A-SCW-II Report b. Approved Inception Report, SCW-I
5.	Technically sound	Yes	Reference: a. Approved Feasibility Report, 4.16 "Identified Issues and Constraints"
6.	Compliant with eligible subprojects and avoided Negative List of sub- Projects	Yes	Reference: a. Approved Feasibility Report, 8.2 and 9.2 "Project Categorisation" 8.3 and 9.3 "Impact Identification and Assessment"
7.	Meet the ESMF criteria	Yes	Reference: a. ESIA for Mangalapur - Kanchibazar Road and ESMP for Bewara Chowk - Kanchibazar Road prepared, approved and implemented b. Contractor's ESMP is in place and implemented c. Altogether 11 grievances recoded and resolved; GRM functional d. SEA/SH CAP completed e. Resettlement issue of Mrs. Rupa Gurung resolved f. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Approved Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (including detailed design, safeguard)	Yes	DPR, ESI/ESMP Approved

S.N.	Requirement for GAC 1 and 3	Result	Remarks
	document preparation and costing, drawings)		
11.	Final Project Approval	Yes	Approved

The new additional extension of "Upgradation of Mangalapur Kanchibazar Road, Tilottama Municipality" (1.84km) is completed. The DPR for the Upgradation of Bebra -Kanchibazzar road Road has been found to skip the different steps followed in the selection and implementation of the ongoing sub project. The sub project is completed and final payment is remaining.

4.1.3 Ramgram Municipality

Sub-Project Name: "Pokhara Pali Panditpur Road (5.78Km.)

Table 5 UDG/ GAC – 1&3 for Ramgram Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCW-I Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report, Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report
6.	Compliant with eligible subprojects and avoided Negative List of sub-Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference: a. ESIA for Pokharapali Panditpur Road prepared, approved and implemented

S.N.	Requirement GAC 1 and 3	Result	Remarks
			b. CESMP is in place and implemented c. GRM functional; altogether 8 grievances recoded and resolved d. SEA/SH CAP implemented e. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (Including detailed design, safeguard document preparation and costing, drawings)	Completed	DPR, ESI/ESMP Approved
11.	Final Project Approval	Yes	Approved

4.1.4 Birtamod Municipality

Sub-Project Name: Upgradation of Buttabari-Pyakurel Chowk Road (6.26km)

Table 6 gives information on Birtamod municipality where the project is being implemented.

Table 6 UDG/ GAC – 1&3 for Birtamod Municipality

S.N.	Requirement for GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCWI Report
2.	Strong Justification	Yes	Reference: a. Approved Feasibility Report, 3.3 "Project Justification"

S.N.	Requirement for GAC 1 and 3	Result	Remarks
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Approved Feasibility Report, 3.5 (SCW-I and II) Annex 1- SCW II Report b. Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Approved Feasibility Report, 3.5 " Details of Stakeholder Consultative Workshop - 2" (SCW-I and II); Annex A- SCW-II Report b. Approved Inception Report, SCW-I
5.	Technically sound	Yes	Reference: a. Approved Feasibility Report
6.	Compliant with eligible subprojects and avoided Negative List of sub- Projects	Yes	Reference: a. Approved Feasibility Report, 8.2and 9.2 "Project Categorisation" 8.3and 9.3 "Impact Identification and Assessment"
7.	Meet the ESMF criteria	Yes	Reference: a. ESIA for Buttabari- Pyakurel Chowk Road prepared, approved and implemented b. CESMP prepared and implemented c. GRM functional; altogether 26 grievances recoded and resolved d. SEA/SH CAP completed e. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report

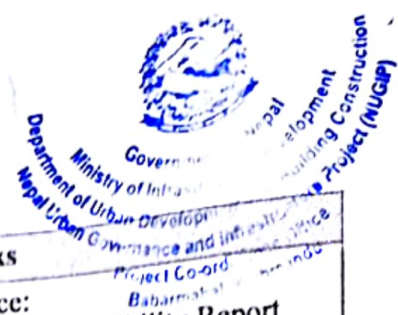
S.N.	Requirement for GAC 1 and 3	Result	Remarks
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Approved Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (Including detailed design, safeguard document preparation and costing, drawings)	Yes	DPR, ESI/ESMP Approved.
11.	Final Project Approval	Yes	Approved

4.1.5 Baglung Municipality

Sub-Project Name: P1, Mulapani school-Hararchaur, Titaura road (8.56km), P2, Majhibasti Nigaheghat Road (1.62km), P3, Odarchaur-Dhodeni-Phorse road (2.14km). Total 12.32km.

Table 7 UDG/ GAC – 1&3 for Baglung Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCWI Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report b. Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report



S.N.	Requirement GAC 1 and 3	Result	Remarks
6.	Compliant with eligible sub-projects and avoided Negative List of sub- Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference: a. ESMP prepared, approved and implemented for all three road projects b. Contractor's ESMP prepared and implemented c. GRM functional; altogether 8 grievances recorded and resolved d. SEA/SH CAP completed e. OSH and CHS regularly monitored and complied f. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (Including detailed design, safeguard document preparation and costing, drawings)	Completed	DPR, ESI/ESMP Approved
11.	Final Project Approval	Yes	Approved

4.1.6 Vyas Municipality

Sub-Project Name: Upgradation of Parasarmarg Budikhola –Beltari-Farkachaurpokhrelfath (10.56km)

Table 8: UDG/ GAC – 1&3 for Vyas Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCW-I Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report b. Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report
6.	Compliant with eligible sub-projects and avoided Negative List of sub- Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference: a. ESMP for Parasar Marga prepared, approved and is being implemented b. CESMP is in place and is being implemented c. GRM functional; altogether 22 grievances recoded and resolved d. SEA/SH issue resolved and corrective actions also completed e. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report

9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (Including detailed design, safeguard document preparation and costing, drawings)	Completed	DPR, ESI/ESMP Approved
11.	Final Project Approval	Yes	Approved

4.1.7 Triguya Municipality

Sub-Project Name: P1-P8, Total length 14.65km.

Table 9: UDG/ GAC – 1&3 Triguya Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCW-I Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report
6.	Compliant with eligible sub-projects and avoided Negative List of sub-Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference; a. ESMP for both Interconnecting Road and Sagarmatha Road prepared,

			approved and is being implemented b. CESMP is in place and implemented c. GRM functional; altogether 9 grievances recoded and 8 are resolved d. Corrective Action Plans of SEA/SH implemented e. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (including detailed design, safeguard document preparation and costing, drawings)	Completed	DPR, ESI/ESMP Approved
11.	Final Project Approval	Yes	Approved

4.1.8 Mechinagar Municipality

Sub-Project Name: P1, Suryodaya Marg (8.48km), P2, Sahid marga (5.47km), Total 13.95km.

Table 10: UDG/ GAC – 1&3 Mechinagar Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCW-I Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"

S.N.	Requirement	Result	Remarks
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report
6.	Compliant with eligible sub-projects and avoided Negative List of sub-Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference: a. ESMPs for both Suryodaya Marga and Sahid Marga prepared, approved and implemented b. CESMP is in place and implemented c. GRM functional; altogether 29 grievances recoded and 27 are resolved d. SEA/SH CAP completed e. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (including detailed design, safeguard document)	Completed	DPR Approved (ESI/ESMP in the process of approval)

S.N.	Requirement GAC 1 and 3	Result	Remarks
	preparation and costing, drawings)		
11.	Final Project Approval	Yes	Approved

4.1.9 Tansen Municipality

Sub-Project Name: Dumrekholah-Hulundi road(6.67km).

Table 11: UDG/ GAC – 1 &3 for Tansen Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCW-I Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report b. Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	
6.	Compliant with eligible sub-projects and avoided Negative List of sub-Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference: a. ESMP for the road project prepared, approved and implemented b. CESMP prepared and implemented

			c. GRM functional; altogether 17 grievances recoded and all resolved d. SEA/SH CAP completed e. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (Including detailed design, safeguard document preparation and costing, drawings)	Completed	DPR, ESI/ESMP Approved
11.	Final Project Approval	Yes	Approved

4.1.10 Dhankuta Municipality

Sub-Project Name: Upgradation of Hile Madhuganga road (7 km).

Table 12: UDG/ GAC – 1&3 for Dhankuta Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCW-I Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report b. Approved Inception Report, SCW-I

4.	Sub-Project prioritized by the Municipality		Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report
6.	Compliant with eligible sub-projects and avoided Negative List of sub-Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference: a. ESIA for Bihebare Hat – Bhirgau- Hile Sadak road prepared, approved and implemented b. Contractor's ESMP is in place and implemented c. GRM functional; altogether 13 grievances recoded and all resolved d. SEA/SH CAP completed e. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (including detailed design, safeguard document preparation and costing, drawings)	Completed	DPR, (ESI/ESMP) approved
11.	Final Project Approval	Yes	Approved

4.1.11 Itahari Municipality

Sub-Project Name: Jute Bikas to Taltalaiya Road (8.4 km)

Table 13: UDG/ GAC – 1&3 for Itahari Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCWI Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report
6.	Compliant with eligible subprojects and avoided Negative List of sub-Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference: a. ESIA for both Jutbikas-Taltalaiya and Bargachhi Chowk (Koshi Highway) - Mahendra School-Taltalaiya (Sera Khola) road prepared, approved and implemented b. CESMP is in place and implemented c. GRM functional; altogether 37 grievances recoded and resolved d. CAP recommended through field visit implemented e. SEA/SH CAP completed f. OSH and CHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.

S.N.	Requirement GAC 1 and 3	Result	Remarks
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (including detailed design, safeguard document preparation and costing, drawings)	Completed	DPR, ESI/ESMP Approved
11.	Final Project Approval	Yes	Approved

4.1.12 Shuklagandaki Municipality

Sub-Project Name: "Dulegauda Lamagaun Road (7.22 km.)"

Table 14: UDG/ GAC – 1&3 for Shuklagandaki Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCWI Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 "Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report b. Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report

S.N.	Requirement GAC 1 and 3	Result	Remarks
6.	Compliant with eligible subprojects and avoided Negative List of sub-Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference: a. ESIA for Dulegaunda-Lamagaun Road prepared, approved and is being implemented b. CESMP prepared and implemented c. GRM functional; altogether 2 grievances recorded and resolved d. CAP recommended through field visits is being implemented e. SEA/SH CAP completed f. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (Including detailed design, safeguard document preparation and costing, drawings)	Completed	DPR, ESI/ESMP Approved
11.	Final Project Approval	Yes	Approved

4.1.13 Sundarharaicha Municipality

Sub-Project Name: Chiuramill to Goathgaun and Maheswor Subba Marga (9.85 km)

Table 15: UDG/ GAC – 1&3 for Sundarharaicha Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCWI Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1-SCW II Report Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report
6.	Compliant with eligible subprojects and avoided Negative List of sub-Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference: a. ESMP for both Maheshwar Subba Marga and Gothgaun Chiuramil Purwanchal Biswabidhyalaya road prepared, approved and implemented b. CESMP prepared and implemented c. GRM formed and functional d. SEA/SH CAP is being done; Service Provider Mapping in progress e. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.

8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (Including detailed design, safeguard document preparation and costing, drawings)	Completed	DPR, ESI/ESMP Approved
11.	Final Project Approval	Yes	Approved

4.1.14 Rajbiraj Municipality

Sub-Project Name: Upgradation of Different Roads of Rajbiraj Municipality (14.21 Km)

Table 16: UDG/ GAC – 1&3 for Rajbiraj Municipality

S.N.	Requirement GAC 1 and 3	Result	Remarks
1.	Needs gap analysis	Yes	Reference: a. Approved Inception Report and SCWI Report
2.	Strong Justification	Yes	Reference: a. Draft Feasibility Report received 3.3 " Project Justification"
3.	Sub-projects endorsed by citizens and other municipal stakeholders during consultations	Yes	Reference: a. Draft Feasibility Report (SCW-I and II) Annex 1- SCW II Report b. Approved Inception Report, SCW-I
4.	Sub-Project prioritized by the Municipality	Yes	Reference: a. Draft Feasibility Report
5.	Technically sound	Yes	Reference: a. Draft Feasibility Report
6.	Compliant with eligible subprojects and avoided Negative List of sub-Projects	Yes	Reference: a. Draft Feasibility Report
7.	Meet the ESMF criteria	Yes	Reference:

			a. ESMP for both Maleth-Biraul-Dumari Road and Deuri-Bishahariya-Singiyaun Road prepared, approved and implemented b. CESMP prepared and implemented c. SIA report prepared and compensation paid to 56 PAPs out of 57. A supplementary SIA is being prepared. d. Implementation of VCDP is about to start e. GRM formed and functional; 5 out of total 6 grievances resolved f. SEA/SH CAP completed g. OCHS have improved over the year; however, there remains room for further improvement. CAP recommendations identified through BTORs continue to be implemented.
8.	Included in the 3-year urban infrastructure development plan	Yes	Reference: a. Approved Inception Report
9.	Within Budget Allocation Ceiling	Yes	Reference: a. Draft Feasibility Report, Executive Summary "Summary of Block Cost"
10.	DPR Report Preparation (Including detailed design, safeguard document preparation and costing, drawings)	Completed	Original DPR, ESI/ESMP Approved. The DPR needs to be reviewed & updated, Musar Basti Impact assessment report needs to be prepared, including compensation costs. Detailed Assessment of three roads sub projects with shifted center lines report to be prepared, Update of ESMP required.
11.	Final Project Approval	Yes	Approved

4.2 Grant Access Condition – 2 for Procurement/Contract Management

2nd GAC conditions are assessed regarding Procurement/Contract Management for the UDG component of the project. The GAC assessment checklist has been filled for all the 14 municipalities as:

Table 17: GAC-2 for procurement/Contract Management

S.N.	Requirement for GAC 2	Result	Remarks
1.	Procurement of Consulting Services by the municipalities (Selection of firm for DSC)		
1.1	Reimbursable eligible under IDA Loan	Yes	As per the financing agreement
1.2	Procurement is being carried out following World Bank Procurement Regulations for IPF Borrowers dated July 2016, revised November 2017, August 2018 and November 2020	Yes	
1.3	Municipalities used the procurement plan prepared, uploaded and updated by PCO and cleared by World Bank in Systematic Tracking of Exchange in Procurement (STEP system)	Yes	The Contract Amendment documents are currently being uploaded to STEP. The remaining documents to be received from the municipalities will be collected and subsequently uploaded.
1.4	Procurement is being carried out following World Bank Procurement threshold for consulting services for Nepal	Yes	
1.4.1	For Cost estimate $\geq$ USD 300,000		
A	Municipalities used World Bank's Standard Request for Proposals (SRFP) document prepared by PCO and reviewed/approved by World Bank in STEP system	Yes	
B	Municipalities (Pokhara metropolitan) issued amendments in the RFP document; reviewed at PCO and reviewed/approved by World Bank in STEP system	Yes	
C	Procurement Approach/Competition: Open International	Yes	

D	Selection Method: Quality and Cost Based selection (QCBS), for consulting services	Yes	
E	Evaluation Method: Rated Criteria	Yes	Evaluation reports reviewed at PCO and World Bank for ICB
F	World Bank Oversight: Prior Review - World Bank's no objection received in the STEP system for every step in the procurement roadmap	Yes	
G	Ongoing selection process being reviewed by PCO/WB	Yes	Selection process already completed
1.4.2	For Cost estimate < USD 300,000		
A	Municipalities used World Bank's Standard Request for Proposals (SRFP) document prepared by PCO and reviewed/approved by World Bank in STEP system	Yes	
B	Municipalities (other than Pokhara metropolitan) issued amendments in the RFP document (if any); reviewed at PCO	Yes	
C	Procurement Approach/Competition: Open National	Yes	
D	Selection Method: Quality and Cost Based selection (QCBS)	Yes	
E	Evaluation Method: Rated Criteria	Yes	Evaluation reports available
F	World Bank Oversight: Post Review - World Bank's no objection received only for the Terms of References (ToR) in the STEP system		Complied with ICB
G	selection process available	Yes	
2	Procurement of Works by the municipalities (Selection of contractors)	Yes	
2.1	Reimbursable eligible under IDA Loan	Yes	
2.2	Procurement is being carried out following World Bank Procurement Regulations for IPF Borrowers dated July 2016, revised November 2017, August 2018 and November 2020	Yes	
2.3	Municipalities used the procurement plan prepared, uploaded and updated by PCO and cleared by World Bank in STEP system	Yes	
2.4	Procurement is being carried out following World Bank Procurement threshold for Works for Nepal	Yes	
2.4.1	For Cost estimate ≥ USD 5.0 Million		

A	Municipalities used World Bank's Standard Procurement Document (SPD) / Request for Bids (RFB) prepared by PCO and approved by World Bank in STEP system	Yes	
B	Municipalities (Pokhara metropolitan and Tiltottama) issued amendments in the bidding document; reviewed at PCO and reviewed/approved by World Bank in STEP system	Yes	
C	Procurement Approach/Competition: Open International	Yes	
D	Selection Method: Request for Bids (RFB)	Yes	
E	Evaluation Method: Most Advantageous Bid (MAB) / Lowest Evaluated Cost	Yes	Evaluation reports with PCO and World Bank
G	World Bank Oversight: Prior Review - World Bank's no objection received in the STEP system for every step in the procurement roadmap	Yes	
2.5	Ongoing selection process being reviewed by PCO/WB	Yes	



4.3 Grant Access Condition – 4 Transparent Financial Management and Timely reporting

All Municipalities use the software named Sub-National Treasury Regulatory Application (SUTRA) for their accounting and financial reporting.

Monthly Progress Reports (MPRs) are being submitted by all municipalities. However, not all municipalities have submitted their trimestral progress reports. Therefore, where trimestral progress reports are unavailable, information from the MPRs is used as an alternative source for recording and tracking progress. MPRs are received from the municipalities by the first week of the following month. The MPRs provide adequate information on the physical and financial progress of the works. However, the E&S compliance aspects and updated site photographs could be further strengthened to provide a more comprehensive reflection of the current implementation status and further improve the quality of the reports. In the meantime, the additional E&S information and updates have been obtained through communication with the respective PIUs/DSCs and incorporated into the monitoring process. *Table 18* provides information on compliance with the financial management agreed actions. Rajbiraj municipality has also adopted internal control guidelines and guidelines are also

published on municipality's official website.



Table 18: Financial Management -AGREED ACTIONS

Municipality	Formation of Audit Committee	Formation of Internal Control Team	Submission of Internal audit report	Adoption of Internal Control Guidelines	Adoption of Accounting Policies OAG Form No. 272	Maintenance of Audit Arrears and Audit Arrears resolving plan	Remarks
Itahari	1	1	1	1	1	0	Follow up and assured to comply the action.
Birtamod	1	1	1	1	1	1	
Mechinagar	1	1	1	1	1	1	
Dhankuta	1	1	1	1	1	1	
Sundarharaich	1	1	1	1	1	1	
Triyuga	1	1	1	1	1	1	
Rajbiraj	1	1	1	1	1	0	Follow up and assured to comply the action.
Pokhara	1	1	1	1	1	1	
Vyas	1	1	1	1	1	1	
Suklagandaki	1	1	1	1	1	1	
Baglung	1	1	1	1	1	0	Follow up and assured to comply the action.
Ramgram	1	1	1	1	1	1	
Tilotamma	1	1	1	1	1	1	
Tansen	1	1	1	1	1	1	

Table-19 Summarizes the assessment results for all project completion remaining UDG municipalities

Table 19: Overview of GAC Assessment results all Municipalities

S.N.	Urban Area	Preliminary Condition PA Signing	UDG GAC1	UDG GAC2	UDG GAC3	UDG GAC4	Result
1	Pokhara Metropolitan City	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
2	Itahari Sub-Metropolitan City	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
3	Baglung Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
4	Tansen Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
5	Mechinagar Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
6	Birtamod Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
7	Sundarharaicha Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
8	Rajbiraj Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
9	Triyuga Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
10	Shuklagandaki Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
11	Ramgram Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
12	Tilottama Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
13	Dhankuta Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY
14	Vyas Municipality	✓	✓	✓	✓	✓	Qualifies for UDG upcoming FY



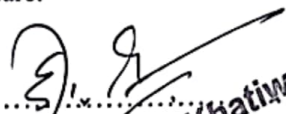
5 Summary and Conclusion

The Participation Agreement has been renewed and signed by all UDG municipalities with remaining project completion activities. All municipalities were found to be complying with the provisions of GAC-2 related to procurement and contract obligations. The remaining documents to be uploaded in STEP will be collected from the municipalities by the PCO and subsequently uploaded.

In line with the GAC-4 provisions, all UDG municipalities are regularly submitting physical and financial progress reports. All selected UDG municipalities have reported compliance with the agreed financial actions, and follow-up is being carried out by the PCO/PMST to ensure continued adherence. PCO will undertake a review of E&S compliance, contingent upon which final payments may be released.

The GAC assessment revealed that all UDG municipalities with remaining project completion activities have met the required GAC conditions.

Signature:

.....
Mr. Lila Khatiwada
Project Director
NUGIP

Lila Khatiwada
Project Director

Date: ...2026/10/02



Annex:

Latest Project Status:

S.N.	Sub-Project	Progress Status
1.	Mechinagar 01	Completed
2.	Tansen	Completed
3.	Tilottama 01	Completed
4.	Pokhara 02	Completed
5.	Pokhara 03	Completed
6.	Tilottama 02	Completed
7.	Birtamod	Completed
8.	Damak	Completed
9.	Urlabari	Completed
10.	Putalibazar	Completed
11.	Baglung	Completed
12.	Itahari	Physical=97.14% Financial=96.36%
13.	Triyuga 01	Physical=96% Financial=88.82%
14.	Triyuga 02	Physical=97.3% Financial=90.96%
15.	Ramgram	Physical =90.31% Financial=79.38%
16.	Dhankuta	Physical=96% Financial=93.27%
17.	Vyas	Physical=45% Financial=36.5%
18.	Pokhara 01	Physical=74.41% Financial=64.78%
19.	Shuklagandaki	Physical=90% Financial= 87.5%
20.	Rajbiraj	Physical=90.05% Financial=83.02%

21.	Mechinagar 02	Physical=91% Financial=80.12%
22.	Sundarharaicha	Physical=92% Financial=89.42%