



Nepal: Subregional Transport Enhancement Project

Project Name

Subregional Transport Enhancement Project

Project Number

44143-013

Country / Economy

- Nepal

Project Status

Closed

Project Type / Modality of Assistance

- Grant
- Loan

Source of Funding / Amount

Grant 0225-NEP: Subregional Transport Enhancement Project

<u>Source</u>	<u>Amount</u>
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Asian Development Fund	US\$ 24.50 million
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Loan 2685-NEP: Subregional Transport Enhancement Project

<u>Source</u>	<u>Amount</u>
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Asian Development Fund	US\$ 24.50 million
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Strategic Agendas

- Inclusive economic growth
- Regional integration

Drivers of Change

- Gender Equity and Mainstreaming

Sector / Subsector

- **Transport** / Road transport (non-urban)

Gender

Some gender elements

Description

The proposed loan and grant (the Project) will improve the country's road network totaling about 217.3 km, (i) providing north-south link of the country's north eastern region to the east-west highway (EWH); and (ii) improving major international trade corridors in the country in conjunction with customs systems enhancement. The capacity of the road sector and customs institutions will also be strengthened. The project will expand connectivity with remote areas and enhance the capacity of major international trade corridors to develop the economy of project areas as well as integrate those more effectively with their primary markets in India, and further to

third countries, by enhancing the capacity of roads and customs clearance.
Project Rationale and Linkage to Country/Regional Strategy

Poor connectivity is a major development constraint for Nepal. Inadequate feeder roads worsen the isolation of remote rural areas, mostly in northern hilly regions. These areas with high poverty incidence are required to be linked to markets in the country and further extended to those in neighboring countries. The north-south link could also be a potential transit route connecting India and the PRC. In addition to the connectivity issue of remote hilly areas, there is also growing congestion at major international trade corridors, especially EWH and road sections around the borders due to rapid increase of vehicles in Terai areas. This congestion is due to the roads' low capacity and poor condition, as well as the limited capability of customs clearance. The Government is required to expand connectivity of remote areas and, at the same time, enhance capacity of major international trade corridors including EWH and border roads, and customs systems. To address these constraints, the Government developed and has been implementing the Priority Investment Plan (PIP 2007-2016) and the customs modernization plan. Nepal has major international and subregional trade corridors as identified in SAARC Regional Multimodal Transport Study (SRMTS) and the Asian Highways network.

The road sector development strategy under Nepal's Three Year Interim Plan (TYIP, 2007/08-2009/10) includes (i) improving roads for the development of the dense and border area settlements and for the increased accessibility to hitherto unserved remote areas with economic potential, and (ii) developing the east-west highway as the Asian Highway and the regional trade route in accordance with the concept of developing road networks for promoting South Asian regional development. The strategy provides adoption of the planned road asset management system for sustainable, reliable and safe road transport operations through prioritized repair, maintenance, rehabilitation and reconstruction of roads and bridges.

Project roads include: (i) the Salleri-Okhaldhunga and (ii) Okhaldhunga -Harkapur roads (100 km), which provide the remote north-eastern hilly areas with a north-south connection to EWH and further south to the Siraha border; (iii) the Khandbari-Chainpur road (44 km), which provides one of the unconnected district headquarters with a motorable road, and will make a planned north-south transit route connecting India at the Bitranagar border point and the PRC at the Klmathanka border; (iv) the Bhairahawa bypass (3.5 km), part of SAARC Road Corridor 10, connecting Kathmandu with Lucknow in India, which also complements India's ongoing Integrated Customs Posts Program; and (v) the Belbari-Chauharwa road (47 km), which is along EWH around border areas and part of the SAARC Road Corridor 4, facilitating subregional traffic through its Kakarvitta border post and India, to Bangladesh. These roads have been selected based on environment, resettlement, social and economic impacts; and project readiness. The capacity enhancement of trade facilitation will also help reduce congestion of border areas by further speeding up clearance through information technology and streamlining customs documentation and procedures. A minor change in scope was approved on 17 August 2013 to include additional road section - Nepalgunj-Kohalpur (22.3 km).

The Project will support the government in addressing two development issues: expand connectivity with remote areas and enhance the capacity of major international trade corridors. The Project is relevant to achieving results of the Country Partnership Strategy (CPS 2010-2014) of enhancing global-local connectivity

to facilitate regionally balanced economic growth; as well as the Regional Cooperation Strategy and Programs (2006-2008) in improving subregional connectivity and facilitating intraregional trade in South Asia. The Project is included in the CPS 2010-2014 and the Regional Cooperation Operations Business Plan (2009-2010) as a national project with regional implications. This is an approach in accelerating regional cooperation, supported in the Second High Level Forum on Emerging Vision for Shared Prosperity: South Asia and Beyond, held in Manila in August 2010.

The project has been designed in coordination with development partners to ensure wide geographic coverage and avoid overlaps, and continues ADB's consistent engagement to improve road connectivity and capacity, and facilitate cross-border traffic, in parallel with capacity development such as road safety, social aspects, overload control, and road asset management. The project has substantially enhanced project readiness, e.g., ADB project appraisal on all project roads is based on detailed design prepared by consultants engaged by the government

Impact

Promoted economic development of Nepal's border areas and the remote northeastern hills by increasing domestic and regional trades through expansion of the national and subregional transport systems

Project Outcome

Description of Outcome

Improved connectivity of remote areas and expanded the capacity of major international trade corridors in conjunction with the modernization of customs systems, thereby enabling efficient and safe transport within the country and with India and, through India, with Bangladesh and Bhutan.

Progress Toward Outcome

Assessment based on Project Performance Management System has been completed. DOR will submit Final Government's Project Completion Report by 30 September 2017.

Implementation Progress

Description of Project Outputs

1. Road investment component
 - 1.1 Road improvement
 - 1.2 Gender, child labor, HIV/AIDS and anti-trafficking awareness
2. Trade facilitation component
3. Capacity development component

Status of Implementation Progress (Outputs, Activities, and Issues)

Road Improvement:

2 ICB and 12 NCB contract packages awarded in 2011 and 2 ICB in 2013. A total of 217.3 km road has been upgraded under the Project.

1. Belbari- Chaurahawa road (48 km)
2. Harkapur-Okhaldhunga road (41 km)
3. Okhaldhunga-Salleri road (58 km)
4. Chainpur-Khandari road (44 km)
5. Bhairahawa Bypass road (4 km)
6. Nepalgunj-Kohalpur road (22.3 km)

Gender, HIV/Aids and anti-trafficking:

Implementation of activities on anti-trafficking, and prevention and control of HIV and child labour have been completed.

Trade Facilitation:

UNCTAD has customized ASYCUDA World as required in Nepal; and rolled out in seven customs offices.

All seven contracts to supply and installation of different equipment and software under the project component are completed.

Capacity Development:

Three experts (i) Road Engineer; (ii) Asset Management/Maintenance Specialist; and (iii) Project Management Specialist provided training to DOR staff in 2012. The consultants have also prepared manuals for capacity development of road sector institutions.

The consolidated report on the findings and recommendations of the three consultants was submitted to ADB on 4 April 2013.

Geographical Location

Belbari, Bhairahawa, Bheri Zone, Harkapur, Khandbari, Kohalpur, Kosi Zone, Lumbini, Nepalgunj, Okhaldhunga, Purano Chainpur, Sagarmatha Zone, Salleri

Safeguard Categories

Environment

B

Involuntary Resettlement

B

Indigenous Peoples

B

Summary of Environmental and Social Aspects

Environmental Aspects

The project is classified "B" in accordance with ADB's Safeguard Policy Statement (2009) and therefore initial environmental examinations (IEEs) were prepared for the six subprojects. DOR has submitted all IEEs for ADB approval, and they are now available to interested stakeholders upon request. Findings of the IEEs indicate that the project is not likely to cause significant adverse environmental impact since no forest areas, wildlife sanctuaries, national parks, biodiversity-critical habitats, or similar eco-sensitive areas will be traversed or lie within the corridors of impact as defined in the environmental assessment. Five subprojects have upgraded existing roads with no additional right of way requirements, and minor alignment changes will be made in conformance with road safety standards. Only the Bhairahawa bypass required a new alignment and conversion of predominantly agricultural lands but given the limited length of less than 3.5 km, this subproject is not foreseen to generate significant adverse impacts.

Most impacts are likely to occur during construction stage, associated with earth movement, embankment shaping, paving, heavy equipment operation and unpaved-road travel. These impacts are temporary in nature, and mitigating measures have been prepared and regularly monitored by DOR and supervision consultants.

No irreversible, diverse or unprecedented environmental impacts are expected to occur and a further environmental impact assessment is not needed.

Involuntary Resettlement

The project is classified "B" in accordance with ADB's Safeguard Policy Statement. It has been developed with a view to minimize land acquisition and involuntary resettlement. Where possible, construction activities will take place within the existing right of way. A census was conducted based on the detailed design. Out of six subprojects, three will have minor land acquisition impacts and no resettlement is envisaged. Resettlement plan was revised for Harkpur - Okhaldhunga and Okhaldhunga - Salleri road sections and implemented accordingly. Semi annual Social Safeguard report is available in web site.

Indigenous Peoples

The project is classified "B" in accordance with ADB's Safeguard Policy Statement. Social impact assessments confirmed that indigenous people will not be affected more than the rest of the population and will benefit equally from the socioeconomic opportunities created by the project. A combined indigenous peoples plan and resettlement plan was prepared for three subprojects. Adequate compensation provisions have been made in the combined plan to mitigate the impacts on indigenous peoples.

Stakeholder Communication, Participation, and Consultation

During Project Design

Meaningful consultations, held in an atmosphere free of coercion, were conducted to ensure a comprehensive perspective on the project and its impacts, and to ascertain community response to the Project, their needs and demands from the project, an estimate of losses that they would suffer, and steps to mitigate those losses. Social

impact assessments confirmed that indigenous people will not be affected more than the rest of the population and will benefit equally from the socioeconomic opportunities created by the Project.

During Project Implementation

Consultations will be conducted, if and when necessary.

Business Opportunities

Consulting Services

A consulting firm has been recruited using ADB's quality- and cost-based selection procedure in accordance with Guidelines on the Use of Consultants by the Asian Development Bank. It was envisaged that about 60 person-months of international consultants and 1,003 person-months of national consultants will be required for the Project. Consultants will carry out (i) construction supervision of six road sections; and (ii) support the Government in improving the road sector management performance through capacity building of road sector institutions.

Procurement

2 ICB and 12 NCB packages awarded for upgrading of 195 km road. 2 ICB packages for Nepalgunj-Kohalpur road (22.3 km) awarded on 29 March 2013.

Contact

Responsible ADB Officer

Bhatt, Bhupendra Chandra

Responsible ADB Department

South Asia Department

Responsible ADB Division

Nepal Resident Mission (NRM)

Executing Agencies

Ministry of Physical Infrastructure and Transport

Timetable

Concept Clearance

14 May 2010

Fact Finding

11 Jul 2010 to 22 Jul 2010

MRM

20 Aug 2010

Approval

27 Oct 2010

Last Review Mission

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PDS Creation Date

03 Jun 2010

Last PDS Update

11 Sep 2017

Funding

Grant 0225-NEP

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
27 Oct 2010	04 Mar 2011	26 Apr 2011	30 Jun 2015	30 Jun 2017	05 Feb 2018

Financing Plan

Total (Amount in US\$ million)

Project Cost	51.40
ADB	24.50
Counterpart	26.90
Cofinancing	0.00

Grant Utilization

	Date	ADB	Others	Net Percentage
Cumulative Contract Awards	17 Jun 2022	18.71	0.00	91%
Cumulative Disbursements	17 Jun 2022	18.71	0.00	91%

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	Satisfactory	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

Loan 2685-NEP

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
27 Oct 2010	04 Mar 2011	26 Apr 2011	30 Jun 2015	30 Jun 2017	19 Dec 2017

Financing Plan

Total (Amount in US\$ million)

Project Cost	24.50
ADB	24.50
Counterpart	0.00
Cofinancing	0.00

Loan Utilization

	Date	ADB	Others	Net Percentage
Cumulative Contract Awards	17 Jun 2022	13.52	0.00	100%
Cumulative Disbursements	17 Jun 2022	13.52	0.00	100%

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
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Rating Satisfactory Satisfactory Satisfactory Satisfactory - Satisfactory

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