Nepal: Secondary Towns Integrated Urban Environmental Improvement Project

**Project Name**: Secondary Towns Integrated Urban Environmental Improvement Project

**Project Number**: 36188-023

**Country**: Nepal

**Project Status**: Active

**Project Type / Modality of Assistance**: Loan

**Source of Funding / Amount**
- Loan 2650-NEP: Secondary Towns Integrated Urban Environmental Improvement Project
  - Concessional ordinary capital resources lending / Asian Development Fund
  - US$ 60.00 million
- Loan 8249-NEP: Secondary Towns Integrated Urban Environmental Improvement Project
  - OPEC Fund for International Development
  - US$ 17.00 million

**Strategic Agendas**
- Environmentally sustainable growth
- Inclusive economic growth

**Drivers of Change**
- Governance and capacity development
- Partnerships
- Private sector development

**Sector / Subsector**
- Transport - Urban roads and traffic management
- Water and other urban infrastructure and services - Other urban services - Urban policy, institutional and capacity development - Urban sewerage - Urban solid waste management - Urban water supply

**Gender Equity and Mainstreaming**
- Effective gender mainstreaming

**Description**
The objective of the project is to develop reliable, affordable, and effective municipal infrastructure and to strengthen the capacity of municipalities and the central government for project management and operation. The project area is Biratnagar, Birgunj, Butwal municipalities and Kavre Valley (Panauti, Dhulikhel and Banepa municipalities). The project was approved in 6 July 2010 and the planned project closing date is 30 June 2016.

**Project Rationale and Linkage to Country/Regional Strategy**
The National Urban Policy adopted by the government in 2007 gives priority to (i) achieving a balanced national urban structure by directing infrastructure development and investment; (ii) improving the quality of urban life by building a clean, safe, and well-developed urban environment; and (iii) setting up effective urban management by empowering capable local institutions. The 3-year interim plan (FY2008-FY2010) under the policy looks forward to government investments in urban infrastructure and other services, and to local institutions empowered and strengthened to build a clean, safe, and prosperous urban environment. While productivity in the urban areas is higher and poverty substantially lower, infrastructure development and service delivery have fallen behind in those areas. Public investments have not kept pace with the growth of the urban population, swelled by internal conflicts and the dearth of economic and employment opportunities in the countryside.

Urban environmental conditions, already deteriorating, have worsened: inaccessible and poor-quality drinking water and sanitation facilities, uncollected or improperly dumped waste, water pollution from untreated domestic and industrial wastewater, and waterlogging. Moreover, urban services outside the Kathmandu valley are scarce. As a result, premature death, disease, and associated economic burdens disproportionately affect the poor and the vulnerable. Poor health saps economic growth by reducing labor productivity and holding back educational attainment.

Further development in the Kathmandu valley has its physical limits. New urban centers will inevitably emerge. But the urban environment in the urban centers urgently needs improvement to make up the lag in economic development in towns outside the valley and promote social and economic development in the regions of Nepal. The municipalities of Biratnagar, Birgunj, and Butwal were selected for the project on the basis of (i) economic growth potential, (ii) demand for urban services, and (iii) urban management capacity. Each town is the main urban center of an industrial corridor and of importance in external trade. The project is in line with ADB's Nepal country partnership strategy. The project focuses on a small number of physically integrated components (drainage, sewerage and road improvement, and solid waste management in the same area); is confined to a few larger municipalities with relatively higher technical and financial capacity to implement the project and create visible impact; and provides capacity development support before project implementation.

**Impact**
Improved quality of life and higher and more socially inclusive economic growth in key regional centers in Nepal.

**Project Outcome**

**Description of Outcome**
All nine consulting packages were awarded. Out of 7 civil works packages; six were awarded and 1 (Auto village) package has been dropped out from ADB financing. Construction is ongoing satisfactorily in Biratnagar and Birgunj Sewer and Drainage Network, WWTP, Roads and Lanes Improvement subprojects. Construction progress of Kavre Valley Integrated Water Supply Subproject though was low from the beginning, has now made considerable progress. Construction progress of Birgunj integrated solid waste management (ISWM) is very slow due to poor performance of the contractor. In case of Butwal (ISWM), contractor was mobilized and joint survey works was completed, but construction works could not be initiated due to protests from local people of Charange village not allowing to access the site. Similarly, construction progress of Butwal water supply subproject was very low due to various issues raised by local people. Several meetings were held to convince the community people of both packages by various concerned stakeholders including ADB but bear no results. Therefore, recently both contract packages have been terminated.

**Progress Toward Outcome**
Improved and affordable municipal services delivered effectively, efficiently, and reliably by accountable project municipalities.

**Implementation Progress**
### Description of Project Outputs

1. Reliable, affordable and effective municipal infrastructure developed
   - 1.1 Drainage and sewerage systems improved (Biratnagar, Birgunj)
   - 1.2 Urban roads and lanes improved (Biratnagar, Birgunj)
   - 1.3 Solid waste management systems improved (Birgunj, Butwal)
   - 1.4 Water supply systems expanded (Kavre Valley, Butwal)
   - 1.5 Other urban infrastructure facilities improved (Butwal)
   - 1.6 Community development program undertaken, including health and hygiene education, 3R (reduce, reuse, and recycle) promotion, skills, training and investment in small-scale community facilities

2. Capacity of the municipalities and the central government strengthened for project management and operation
   - 2.1 Municipalities strengthened in terms of financial, technical and institutional capacity

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

**Output 1: Reliable, affordable and effective municipal infrastructure developed**

This will be accessed by the Project during preparation of Project Completion Report (PCR).

- 1.1 Drainage and sewerage systems improved (Biratnagar, Birgunj); and
- 1.2 Urban roads and lanes improved (Biratnagar, Birgunj):
  - i) Biratnagar: Construction works for sewer and drainage network; urban road and lanes improvement and waste water treatment plant (WWTP) subproject is ongoing in Birgunj with completion of 48.50 km (98.46%) storm water drainage; and 7.55 km (98.68%) sewer lines and 9.481 km (100%) of road/lanes (excluding the road and lanes constructed inside the WWTP). 98.5% works of centralized WWTP have been completed.
  - ii) Biratnagar: Construction works for sewer and drainage network; urban road and lanes improvement and waste water treatment plant sub-project is completed in Biratnagar with completion of 35.647 km (100%) roadside drains, 36.677 km (100%) of storm water drainage and 43.262 km (100%) of sewer lines and construction of 40.853km (100%) of road/lanes (excluding the road and lanes constructed inside the WWTP).
  - Construction of centralized WWTP has been completed.
- 1.3 Solid waste management systems improved (Birgunj, Butwal):
  - i) Physical progress of integrated solid waste management (ISWM) subproject at Birgunj is only 54% against the revised EOT #3; (till 30 April 2019) of the contract. The fourth EOT has been granted till 31 October 2019.
  - ii) The ISWM subproject at Butwal has been terminated.
- 1.4 Water supply systems expanded (Kavre Valley, Butwal):
  - i) Kavre Valley WSS: Construction yet not completed due to obstruction of local people in accessing the sites for intake construction and laying of transmission pipes. Overall physical progress is 96.42% with respect to latest VO and EOT. Once the system gets completed 10.399 HHs will be served by the WSS.
  - ii) Butwal WSS: Contract is terminated with achievement of 27.44% physical progress due to various local issues.
- 1.5 Other urban infrastructure facilities/Auto Village improved (Butwal):
  - This package was dropped from the project scope due to various local issues which could not get resolved despite of several local level consultations by ADB, EA and PIU.
- 1.6 Community development program undertaken, including health and hygiene education, 3R (reduce, reuse, and recycle) promotion, skills, training and investment in small-scale community facilities:
  - i) Under Community Development Program component of the Project several awareness raising programs on health and hygiene education; 3Rs on solid waste management; skills development training were completed in order to improve behavior of the community people towards adoption of improved hygienic practices and proper disposal of solid waste;
  - ii) These programs were implemented in 163 poor clusters of Biratnagar (130 clusters), Birgunj (28 clusters) and Butwal (5 clusters);
  - iii) CDI proposals at Butwal and Birgunj had incorporated 3R activities. Hence, implementation of the 3Rs activities was done in the line with the output.
  - iv) Women, poor and vulnerable groups were given priority in awareness raising and skill development training;
  - v) Altogether 1,085 people of Biratnagar (232); Birgunj (668); and Butwal (185) got benefitted from the skill development training on different trades;
  - vi) Similarly, 627 private latrines have already completed in poor clusters of Biratnagar (524) and Birgunj (103);
  - vii) In addition, construction of 6 public toilets and delivery of 1 mobile toilet completed in Biratnagar; and 1 public toilet was constructed in Butwal.
  - 2. Capacity of the municipalities and the central government strengthened for project management and operation;
  - 2.1) Municipalities strengthened in terms of financial, technical and institutional capacity
    - i) Overall outcome of these intervention will be accessed by the PCO during preparing Project Completion Report;
    - ii) Comprehensive financial management improvement plan (CFMIP) has been prepared and is in implementation in Biratnagar and Birgunj;
    - iii)other municipalities strengthened in terms of financial, technical and institutional capacity.

### Geographical Location

- Banepa, Biratnagar, Birgunj, Butwal, Dhulikhel, Panauti

### Safeguard Categories

<table>
<thead>
<tr>
<th>Environment</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involuntary Resettlement</td>
<td>B</td>
</tr>
<tr>
<td>Indigenous Peoples</td>
<td>B</td>
</tr>
</tbody>
</table>

### Summary of Environmental and Social Aspects

**Environmental Aspects**

The implementing agencies had done environmental examinations, including environmental management plans (EMPs), for the subprojects during the feasibility study. An environmental assessment and review framework was therefore prepared. The framework sets out the requirements for project screening and classification, subproject selection, information disclosure to and consultation with the affected people, environmental assessment, EMP development and implementation, and monitoring and reporting.

The EIA/IEE of the subprojects has been prepared as per the requirement of the Government and ADB’s Environment Safeguard Policy. Project implementation is being done in line with the respective Environment Management Plan (EMP) of the Project. The initial environmental examinations found the planned subprojects to have only small and localized adverse impact on the environment, which can be mitigated with the mitigation measures proposed in the EMPs. On the other hand, the improvements in drainage and sewerage systems, solid waste management systems and community development programs will have significant positive impact on community hygiene and overall environmental sanitation situation.

Project Implementation Units (PIUs) have updated IEE/EIA of the sub-projects based on the final engineering design. PIUs have been complying and will comply with the EMPs of the respective subprojects while implementing the projects. Project coordination Office (PCO) has been monitoring safeguard compliance by each PIU in accordance with approved EMPs, and is reporting its implementation status in its quarterly as well as semiannual environmental safeguard monitoring report (SMR-Env) to ADB. QPR for Q2 2019; and SMR-Env as well as SMR-Social covering Jan-Jun 2019 have been submitted by the Project coordination Unit.

### Involuntary Resettlement

Several subprojects involve land acquisition and involuntary resettlement, but the involuntary resettlement impact is not considered significant. Draft resettlement plans have been prepared for these subprojects in compliance with the government’s and ADB’s policy requirements. A resettlement framework has also been prepared.

The PIUs have updated/ have been updating the resettlement plan in coordination with PCO, during detailed design and on need basis during implementation of the civil works packages (subprojects), they are implementing the final resettlement plan (RP) during the Project implementation. PCO is monitoring compliance to the RPs by the PIUs and is also reporting the compliance status to ADB through quarterly progress reports and semiannual social safeguard monitoring report (SMR-Social) to ADB. QPR for Q2 2019 and SMR-social for Jan to Jul 2019 have been submitted.
Indigenous Peoples

Considering the nature and scale of these subprojects, the impact on indigenous peoples will be limited to a few involuntary resettlement and land acquisition cases. Accordingly combined RP and Indigenous People's Plan has been prepared for Kavre Valley Water Supply Sub Project. The resettlement plan includes an indigenous peoples plan, and the resettlement framework includes an indigenous peoples planning framework, with special assistance measures for indigenous people and other vulnerable groups. The Project implementation units in the respective municipalities will implement the subprojects in compliance with the prepared RPs. As overall environmental sanitation situation improve, so will the health benefits for indigenous people. In addition, the gender equality and social inclusion plan contains specific actions favorable to indigenous people. The community development program were also conducted in the selected poverty clusters of Biratnagar, Birgunj and Butwal Municipalities to address awareness needs on health and hygiene; and solid waste management issues; capacity building needs; and small scale infrastructure need of marginalized and vulnerable people in the project area.

Stakeholder Communication, Participation, and Consultation

During Project Design

Key stakeholders (government departments, non-government organizations, development partners, etc.) joined central-level workshops conducted to discuss the Project design during the project preparatory TA. A gender equality and social inclusion (GESI) action plan was developed to ensure effective participation of stakeholders in the Project. In the three project municipalities (Biratnagar, Birgunj, and Butwal), group discussions and workshops were organized to solicit the views of potential beneficiaries of the project, including vulnerable groups such as women, dalits, and indigenous people. Strong support for the project was confirmed at these workshops, and the design of the subprojects reflects the suggestions and comments made.

During Project Implementation

During Project Implementation concerned stakeholders at the central and the municipal level were consulted as needed according to the Project progress, underlying issues and to develop way forward. Stakeholder's consultation is often found effective to finalize the subprojects' environment and safeguard related issues. In case of community development program (CDP), the Project level activities were developed and implemented in consultation with beneficiaries and the local/municipal stakeholders. Several consultation meetings were held with the concerned stakeholders at Kavre valley and Butwal during project review missions and municipal based field visits. In addition, local level consultation meetings were done regarding Auto Village subproject at Butwal. These meeting were found effective to resolve many issues among various stakeholders. However, ADB had to drop financing for the auto village subproject due to some crucial unresolved issues at the local level. Similarly, despite several efforts of ADB and the EA, consensus could not be reached at the local level regarding the ISWM subproject and water supply subproject at Butwal. Hence, contract for these subprojects have been terminated.

In Bhumidanda-Kavre, there was a public demand for water supply and irrigation schemes (est. cost $60,000) as a compensatory measure for water diversion. ADB approved implementation of the schemes through water/irrigation users committees utilizing budget from the Community Development Project component of the Project. With this the works at intake area has been progressed.

Business Opportunities

Consulting Services

About 1,585 person-months (86 international, 1,499 national) of consulting services was to be provided to (i) facilitate project management and implementation including overall monitoring and evaluation at the central level; (ii) carry out detailed design and construction supervision for individual subprojects, including monitoring for safeguards compliance; and (iii) provide institutional development support for the establishment and operationalization of the Kavre Water Supply Management Board.

About 831 person-months (all national) of local NGO services was provided to assist the implementation of the community development program. Consulting firms and local NGOs were engaged using quality- and cost-based selection (QCBS) method with a standard quality: cost ratio of 80:20. Selection criteria for local NGOs included (i) experience relevant to the project activities and objectives, (ii) experiences in the district where the Project municipalities are located, (iii) financial integrity, and (iv) record of proven competence in community mobilization and public health sensitization programs.

A separate design and supervision consultant (DSC) for each project municipality were procured. While, construction supervision consultant (CSC) was procured for Kavre Valley is supporting PIU and the municipalities. Contract of DSC for Birgunj, Biratnagar and Butwal municipality and Project management support consultant for Project Coordination Office were closed after completion of contract.

For Butwal, the remaining works was carried out through individual consultants, while CSC and PMSC of Regional Urban Development Project has been supporting Birgunj, Biratnagar PIUs and PCO respectively.

NGO service for Birhatnagar was completed since Dec 2016. Whereas, NGO contracts for Birgunj and Butwal were terminated. Butwal and Birgunj municipalities continued the CDP activities through their social development sections with technical support from social development expert of DSC and PMSC.

Procurement

International competitive bidding procedures was used for civil works contracts estimated to cost more than $1 million, and supply contracts valued at more than $500,000. There is provision of National competitive bidding procedures for civil works contracts equivalent to $1,000,000 or less; supply contracts equivalent to $500,000 or less; and for shopping contracts for procurement of works and equipment worth equivalent to $100,000 or less. Out of 7 planned contract packages, 6 packages were awarded. Civil works for construction of Road, Drainage and WWTP at Biratnagar has been completed and about to complete at Birgunj. Construction works of Kavre Valley WSS is ongoing though at slow pace. Auto village package at Butwal has been dropped for ADB financing due to various local issues. Similarly, ISWM contract and Water Supply contract at Butwal have been terminated due to various local issues.

Responsible ADB Officer
Giri, Naresh

Responsible ADB Department
South Asia Department

Responsible ADB Division
Nepal Resident Mission

Executing Agencies

Ministry of Physical Infrastructure and Transport
HPSHARMA@MELAMCHIWATER.ORG
Singha Durbar
Kathmandu
Nepal

Ministry of Urban Development
Singhadurbar, Kathmandu, Nepal

Timetable

Concept Clearance
12 Mar 2010

Fact Finding
15 Mar 2010 to 26 Mar 2010

MRM
19 Aug 2010

Approval
06 Jul 2010

Last Review Mission
-

PDS Creation Date
19 Jul 2010

Last PDS Update
17 Sep 2019

Loan 2650-NEP

<table>
<thead>
<tr>
<th>Approval</th>
<th>Signing Date</th>
<th>Milestones</th>
<th>Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td>06 Jul 2010</td>
<td>26 Oct 2010</td>
<td>Original 30 Jun 2016</td>
<td>Revised 31 Dec 2019</td>
</tr>
<tr>
<td>Loan 8249-NEP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milestones</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approval</td>
<td>Signing Date</td>
<td>Effectivity Date</td>
<td>Closing</td>
</tr>
<tr>
<td>Financing Plan</td>
<td>Loan Utilization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (Amount in US$ million)</td>
<td>Date</td>
<td>ADB</td>
<td>Others</td>
</tr>
<tr>
<td>Project Cost</td>
<td>17.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADB</td>
<td>0.00</td>
<td>18 Jun 2010</td>
<td>0.00</td>
</tr>
<tr>
<td>Counterpart</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cofinancing</td>
<td>17.00</td>
<td>18 Jun 2010</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Project Page | https://www.adb.org/projects/36188-023/main
Request for Information | http://www.adb.org/forms/request-information-form?subject=36188-023
Date Generated | 06 December 2019

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.