# Nepal: Integrated Urban Development Project

**Project Name**: Integrated Urban Development Project  
**Project Number**: 42161-013  
**Country**: Nepal  
**Project Status**: Active  
**Project Type / Modality of Assistance**: Grant  
**Source of Funding / Amount**:  
- **Grant 0284-NEP**: Integrated Urban Development Project  
  - concessional ordinary capital resources lending / Asian Development Fund  
  - US$ 12.00 million  
- **Loan 2851-NEP**: Integrated Urban Development Project  
  - concessional ordinary capital resources lending / Asian Development Fund  
  - US$ 44.80 million

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

### Drivers of Change
- Governance and capacity development  
- Private sector development

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

### Gender Equity and Mainstreaming
- Effective gender mainstreaming

### Description
The project will provide the population in the municipalities of Dharan, Janakpur, Nepalgunj, and Siddharthanagar with better access to municipal infrastructure and services in a socially inclusive manner. In accordance with the priorities of each municipality, integrated urban environmental improvements, including drainage systems, solid waste management (SWM) facilities, and urban roads, will be implemented in Janakpur, Nepalgunj, and Siddharthanagar municipalities. A water supply development subproject will be implemented in Dharan municipality. The project will also undertake community development programs (CDPs), focusing primarily on poverty pockets in the municipalities and communities that may not benefit directly from major infrastructure improvement subprojects. Gender equality and social inclusion (GESI) will be mainstreamed in all subprojects in the municipalities, and the capacity to address GESI in the Ministry of Physical Planning and Works (MPPW) will be strengthened by establishing an appropriate institutional structure and mechanisms for GESI mainstreaming.

### Project Rationale and Linkage to Country/Regional Strategy
The pace of urbanization in Nepal has increased markedly during 2001-2011 with an urban population growth rate of 3.4% per annum, compared with national population growth of 1.4% per annum. In 2011, 17% of the population was estimated to live in urban areas, up from 9.2% in 1991 and 13.9% in 2001. While global experience clearly demonstrates that urbanization is an important driver of economic development, the potential has not been adequately tapped in Nepal. In the absence of a stringent policy regulating and managing growth, uncontrolled and haphazard urban development has created numerous problems, including deficiencies in basic urban services; environmental degradation; encroachment on public land, forests, and river banks; and sprawling settlement development. Most municipalities in Nepal lack properly engineered and operated sanitary landfills, and have limited and intermittent water supply services, poorly maintained road infrastructure, and inadequate drainage systems that cause recurrent waterlogging problems, mainly in the Terai. The Local Self Governance Act mandates a wide range of functions and responsibilities to municipalities, but the lack of financial and qualified human resources and a low level of institutional capacity make providing infrastructure facilities commensurate with the growing demand for services a major challenge. Poor health, caused by the poor urban environment, saps economic growth by reducing labor productivity and educational attainment. Disease, associated economic burden, and premature death disproportionately affect the poor and vulnerable.

### Impact
Improved urban environment in the municipalities of Dharan, Janakpur, Nepalgunj, and Siddharthanagar

### Project Outcome

<table>
<thead>
<tr>
<th>Description of Outcome</th>
<th>Population in project municipalities have inclusively better access to improved municipal infrastructure and services.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress Toward Outcome</td>
<td>The population of four municipalities started to get better access to municipal infrastructure and services with improved road, drainage, water supply system and solid waste management system. Overall physical progress of the Project’s is 95% against an elapsed loan/grant period of 95.8% as of 31 August 2019. Roads and drainage construction/ improvement packages in Janakpur, Siddharthanagar, and Nepalgunj were completed. Construction of Integrated solid waste management (ISWM) in Nepalgunj has been completed and is in operation from 17 May 2019. Construction of water supply system in Dharan is in final stage of completion with a few remaining interconnection with existing water supply system. Construction of two solid waste management site planned in Janakpur and Siddharthanagar couldn't be materialized due to inaccessibility of site. The project will be closed on 31 December 2019 with achievement of majority activities.</td>
</tr>
</tbody>
</table>

### Implementation Progress

| Description of Project Outputs | Reliable municipal infrastructure developed  
Community development programs undertaken and GESI capacity strengthened.  
Project management and administration supported. |

The project is classified as environmental category B. Four initial environmental examinations including environmental management plans were prepared in accordance with ADB's Safeguard Policy Statement (2009) and government laws, and disclosed. Subprojects are not located in or near sensitive or protected areas, and the initial environmental examinations conclude that no significant adverse impacts are anticipated from proposed locations, designs, and construction activities. The environmental management plans provide adequate mitigation measures to ensure impacts are limited and of short duration. The net environmental benefits has been positive and large, including reduced (i) urban flooding from improved drainage systems, (ii) environmental pollution from improved SWM, and (iii) improved health and hygiene status as well as the overall environmental sanitation situation of the selected poverty clusters of the project municipalities through various software and hardware activities under small scale community infrastructure. Implementation arrangements in the PCO build on experience gained through ADB urban projects, and consultant support has enable the PIUs to manage environmental impacts.

The project had been regularly submitting Semiannual Environmental Safeguard Monitoring reports, which have been disclosed in ADB's web site. The PCO has been complying with the environmental safeguard requirements of the project and submitting related reports/documents to ADB as required. The project had been regularly submitting Semiannual Environmental Safeguard Monitoring reports, which have been disclosed in ADB's web site.

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. Out of seven subprojects, three ISWM subprojects will have land acquisition impacts and insignificant resettlement impacts will have in the road and drainage sub projects. For Dharan Submetropolitan city, resettlement plan has been prepared based on detailed design. Existing resettlement plans for Siddharthanagar and Nepalgunj municipalities prepared during PPTA were updated. Resettlement plan for storm water drainage and road in Janakpur and water supply in Dharan has been prepared. The project has been implemented in line with the developed resettlement plans.

The project is classified "C" 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 and the subproject were implemented inline with these resettlement plan. Adequate compensation provision has been made in the combined plan to mitigate the impacts on indigenous people.

Geographical Location
Dharan Bazar, Janakpur, Nepalgunj, Siddharthanagar

**Safeguard Categories**
- Environment: B
- involuntary Resettlement: B
- Indigenous Peoples: C

**Status of Implementation Progress (Outputs, Activities, and Issues)**
- 1. Project implementation is progressing satisfactorily with some issues identified and being addressed.
- 1.1) Completed 28.70 km of urban road improvement:
- 1.2) Completed 134.73 km of storm water drains out of targeted 107 km:
- 1.3) Siddharthanagar-43.47 km; Nepalgunj-59.53 km; and Janakpur-31.35 km.
- 1.4) Janakpur-8.03 km; Siddharthanagar-10.14 km; and Janakpur-10.52 km.
- 1.5) In addition, 20.07 km of road (asphalt) reinstated in Dharan under water supply sub-project and 8.90 Km of road improved under CDP in project municipalities.
- 1.6) Siddharthanagar: Contract for ISWM subproject terminated due to non-cooperation from community people to access the site despite several efforts from all concerned stakeholders.
- 1.7) Nepalgunj: Declared one year operation phase of ISWM subproject from May 2019 and the contractor is managing the site as per contract.
- 1.8) Janakpur: ISWM subproject is dropped from the project due to non-cooperation from the community people to access the selected alternative sites.
- 1.9) Nepalgunj: ISWM system under operation from June 2019 and contractor is monitoring the site as per contract.

**Summary of Environmental and Social Aspects**

**Environmental Aspects**
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**Involuntary Resettlement**
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**Indigenous Peoples**
- The project is classified "C" 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 and the subproject were implemented inline with these resettlement plan. Adequate compensation provisions have been made in the combined plan to mitigate the impacts on indigenous people.

**Stakeholder Communication, Participation, and Consultation**

**During Project Design**
- Urban services are limited outside Kathmandu Valley. Physical limitations restrict further development in the valley, and there is an urgent need to improve the environment in potential urban centers to promote social and economic development in other regions of Nepal. The government, represented by the Department of Urban Development and Building Construction (DUDBC), developed the criteria for selecting strategically important towns. Dharan, Janakpur, Nepalgunj, and Siddharthanagar were chosen for the project on the basis of (i) economic growth potential, (ii) demand for urban services, and (iii) urban management capacity. The project addresses the development of urban centers that work as catalysts for economic development, which will help contribute to the urban infrastructure and facilities have tended not to fully recognize social differentials in the needs of women, the poor, and excluded groups. People living in municipal poverty pockets experience discrimination based on gender, caste, and ethnicity, and multiple exclusions constrain their progress and access to services. Their participation in community activities is limited due to lack of access to information and resources, although progress has been made through support for their empowerment and mobilization from various NGOs and development partners. To be effective, urban development must integrate GESI.
During Project Implementation

The project is in line with the Nepal country partnership strategy of the Asian Development Bank (ADB), which rests on four pillars: broad-based and inclusive economic growth, inclusive social development, governance and capacity building, and climate change adaptation and environmental sustainability. Reflecting lessons from similar projects, the project (i) focuses on a small number of physically integrated components, to simplify project administration and optimize inter-sector linkages; (ii) is confined to larger municipalities with relatively higher technical and financial capacity to implement the project and create discernable development impacts; (iii) fully involves stakeholders, including communities, in project identification and design from an early stage; (iv) provides capacity development support before project implementation; and (v) addresses enforcement of appropriate regulations as an essential element of managing urban infrastructure effectively.

Therefore as envisioned by the Project, the project coordination office and project implementation units are doing consultation with the concerned stakeholders as and when needed and also been disseminating the relevant project related information to the public. Also due consideration has been given for the meaningful participation of the concerned project stakeholders in reaching the project related decisions.

Business Opportunities

Consulting Services

Consulting firms were 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 10 person-months of international consultants and 1,500 person-months of national consultants will be required for the Project. 1 DSC each was recruited for 4 project municipalities for taking care of design, construction and supervision of 3 drainage and road packages; 3 solid waste management packages, and 1 water supply package. Similarly, 1 project management support consultant and 1 GESI consultant were selected for supporting Project Coordination Office in overall project management and mainstreaming GESI during the project implementation.

Procurement

6 ICB out of 7 packages are awarded: 1 for Dharan water supply improvement; 2 for solid waste management, and 3 for storm water drainage and road improvement in Janakpur, Siddharthanagar and Nepalgunj. Procurement of integrated solid waste management subproject for Janakpur could not get initiated due to various issues encountered during site finalization. Hence, the subproject was dropped from the project scope.

Grant 0284-NEP

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<th>Effectivity Date</th>
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Status of Covenants

Category: Satisfactory
Sector: Satisfactory
Safeguards: Satisfactory
Social: Satisfactory
Financial: Satisfactory
Economic: Satisfactory
Others: Satisfactory

Loan 2851-NEP

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### Project Details

**Counterpart:** 20.60 | **Cumulative Disbursements:** 0.00

**Cofinancing:** 0.00 | **Date:** 14 Feb 2012 | **Remaining:** 35.37 | **Remaining %:** 97%

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### Project Page

https://www.adb.org/projects/42161-013/main

### Request for Information

http://www.adb.org/forms/request-information-form?subject=42161-013

### Date Generated

04 October 2020

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