



Project Summary Information (PSI)

Project Name	Nepal: Urban Infrastructure Investment Project
Country	Nepal
Sector	Urban (Urban Transport, Solid Waste Management, Drainage, Waste Water Management)
Project No.	000028
Borrower	Ministry of Finance
Implementation Agency	Department of Urban Development and Building Construction, Ministry of Urban Development
Environmental and Social Category	B
Date of PSI prepared or updated	Updated on March 19, 2019
Date of Concept Approval	November 6, 2017
Estimated Date of Board Consideration	September, 2019

I. Introduction

Nepal is the least urbanized, but the fastest-urbanizing country in South Asia. Rapid urban growth intensifies the need for basic services and infrastructure deficits. This is particularly true for the Terai region along the southern border of Nepal. Despite its strategic location, hosting the majority of urban population and the bulk of trade with India, the region is still characterized by the lack of basic services and infrastructure. The proposed project will invest in key basic urban infrastructure in the participating municipalities in the Terai region to leverage ongoing urbanization and promote balanced development in Nepal. This is consistent with, and supportive of, the Government of Nepal (GoN)'s urban development priorities as defined in the National Urban Policy and National Urban Development Strategy. The Project is well aligned with the Bank's primary mandate - to foster sustainable economic development by investing in infrastructure.

II. Project Objectives and Expected Results

The objective of the proposed project is to improve provision and quality of key infrastructure and basic services in the participating municipalities of Nepal's Terai region. It will contribute to the GoN's efforts to develop the less-developed Terai region and enhance economy, livability, resiliency of the region. In tandem with implementing physical infrastructure investments, the Project will also help build institutional capacities of the Ministry of Urban Development (MoUD), Department of Urban

Development and Building Construction (DUDBC), and the municipalities, for project preparation and implementation, as well as operation and maintenance of the facilities.

III. Project Description

The Project consists of two components.

Component 1: Priority Infrastructure Improvements. This component will finance integrated urban infrastructure improvements in the participating municipalities. Infrastructure sub-projects to be supported under this component will likely include rehabilitation, reconstruction, expansion, and upgrading of municipal infrastructure and services including urban roads, drainage systems, solid waste management facilities, and sanitation and sewerage facilities.

Component 2: Implementation Support and Capacity Building. This component will provide technical assistance to strengthen the capacity of the Steering Committee, Project Management Unit, and Project Implementation Units as well as the participating municipalities for carrying out project activities.

IV. Environmental and Social Category

The Bank's Environmental and Social Framework (ESF) will be applied to screen and categorize the subprojects, and the Environment and Social Standards (ESSs) will be applicable to determine due diligence with respect to specific contexts of the subprojects. As per the Bank's ESF, the Project is proposed to be Category B, considering the scale and nature of the proposed project activities. This Categorization will be reviewed and finalized following the feasibility studies and environmental and social assessments, as well as Bank team's site visits prior to Appraisal. Public consultation will be carried out during project preparation. All applicable environmental and social safeguard documents as required by the ESF will be prepared and disclosed to the public prior to Appraisal.

V. Estimated Project Cost and Financing Source

The total cost of the proposed project is estimated to be USD100 million. It is expected to be funded by a sovereign backed loan from the Bank, and counterpart funds from GoN and the participating municipalities. The preliminary financing plan is outlined in the Table below.

Indicative Project Cost and Financing Plan (USD million)				
Component	Cost Amount	Financing Source		
		AIB	GoN	Municipality
Component 1: Priority Infrastructure Improvement	94	72	15	7
Component 2: Implementation Support and Capacity Building	6	4	2	0
Total:	100	76	17	7

The GoN has requested for financing support to project preparatory activities from the Bank's Project Preparation Special Fund (PSF). A PSF grant in amount of USD1 million has been approved by the Bank on November 17, 2017.

VI. Implementation

The Project will be implemented by DUDBC under MoUD. Procurement for all contracts funded by the Loan proceeds will be fully in accordance with the requirements of the Bank's Procurement Policy and its associated Interim Operational Directive: Procurement Instructions for Recipients. The proposed project is expected to be implemented between 2018 and 2023.

Contact Points

AIIB:

Mr. Sangmoo Kim
Team Leader/Investment Operations Specialist (Urban)
Department of Investment Operation
Asian Infrastructure Investment Bank
Email: sangmoo.kim@aiib.org

Borrower:

Mr. Dil Bhadur Chhetry
Under Secretary
Ministry of Finance
Nepal
Email: chhetrydb@mof.gov.np

Implementing Agency:

Mr. Padma K. Mainalee
Joint Secretary
Department of Urban Development and Building Construction (DUDBC)
Ministry of Urban Development
Nepal
E-mail: pkmainalee@hotmail.com