



Public-Private Partnerships for Urban Environment

Award ID: 00034877

Award Title: NEP/04/001 - Public-Private Partnerships for Urban Environment

Project ID: 00060223

Source of Funds: UNDP Trac, ADB, AusAid, NET

Implementation Modality: NIM

Project Beginning Year: 2004

Project Ending Year: 2012

Signature

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Name Purusottam Man Shrestha
Project Manager

Signature

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Name Reshmi Raj Pandey
Executive- Project Board

Annual Progress Report – Part I

1. Overview of the Project

The objective of PPPUE is to increase the access of the urban citizens to basic services, and therewith, to contribute to the creation of a healthy environment and the improvement of living conditions in the urban and peri-urban areas, by promotion of partnerships between public and private sectors for the sustainable provision of urban services. The project's focuses are waste management (solid/liquid), water supply, urban sanitation (including public toilets), renewable energy and urban transportation management.

At the central level the project focuses on building the capacity of the concerned central level authorities and creating an enabling environment for initiating national level PPP projects. At the local level, the project supports local authorities, civil society, communities and private sector to sustain the existing micro and small PPP projects. With additional funding from ADB/ AusAid, the outreach of the project has been expanded to four additional municipalities and innovative methods of increasing revenue for the local government and supporting service delivery for marginalized groups will be initiated. A dedicated waste management project is also being supported in Biratnagar with grant co-funding from the Netherland Fund.

2. Key results in 2010

IMPORTANCE OF PURSUING PPP AT NATIONAL LEVEL - PREPARING A WHITE PAPER ON PPP IN NEPAL

A draft White Paper on PPP is being produced by the National Planning Commission (NPC). The White Paper will, among other things, clarify the government's stance on Public Private Partnerships especially in the field of infrastructure development and service delivery to the general public. The preparation of such a document has the potential to provide impetus to PPP activities at the national level. While Nepal has accumulated experience in and set up minimum legislative arrangements at the local level, the track record at the central or national level is comparatively much less even with the passing of the BOOT Act (Private Financing in Construction and Operation of Infrastructure Act, 2063) some years back. There is no doubt, however, that the country needs some good PPP projects at the central level. The demonstration effects from such projects can be substantial and has the potential to make the required significant difference in the provision of much required large infrastructure.

Work on the White Paper was initiated when PPPUE prepared a base paper on PPP in Nepal in early 2010. The contents of the paper were substantially incorporated in the approach paper to the Three Year Plan (2010/11 – 13/14). The NPC then formed a White Paper Preparation Committee under the chairmanship of an NPC member with government and private sector representatives as members to oversee preparation of the White Paper document. The PPPUE project is supporting the NPC in the preparation of this important document by fielding a consultant team.

Preparation of the White Paper on PPP is a logical next step in national level interventions/ environment creation activities of the project. In 2008 during a national level symposium on PPP, six ministries participated actively. One of the immediate results of the symposium was the interest and enthusiasm

in ministries other than MLD and infrastructure ministries. In the coming years the project will support some central ministries in sector wide PPP strategies and conducting sector studies of PPP potential.

IDENTIFICATION AND IMPLEMENTATION OF PPP PROJECTS IN PARTNER MUNICIPALITIES

While policy reforms and other environment creation devices have been important for PPP growth in Nepal the implementation of various PPP projects on the ground in the partner municipalities have had immediate impacts in the adoption of PPP as an alternative service delivery and infrastructure development modality. In 2010, ten projects have been identified and/ or implemented in municipalities. Of the 10 projects, one supports additional features to a woman owned enterprise.

S.N.	Name of Project Location	Project Brief	Employment Generation (actual/ projected)
1	SWM-Dhangadhi	Municipality-wide Solid Waste Management through Private Operator	42 (12 indirect)
2	Namuna Aawas Griha, Birgunj	Construction of bio-gas plants in Namuna Aawas Griha being constructed with the help of Lumanti	1 part-time
3	Community Composting Butwal	Waste collection, recycling and composting in Ramnagar Ward 12; grant money to be used for fencing, equipment and construction	1 part-time
4	Biogas -Dharan	Protection of drinking water sources and management of community sanitation by collecting waste from individual H/H toilets and installation of biogas in a targeted community	2 part-time
5	Construction of Buffalo slaughter shed at Krishi Bazar, Amarhat-Dharan	City level slaughterhouse for Dharan	3
6	Mobile Toilet (2 Nos) Birgunj	Installation of two mobile toilets in partnership with private operator	4
7	Mobile Toilet Butwal	Installation of one mobile toilet in partnership with private operator	2
8	Dasharath Bhim Udyan, Ward No.5-Dhangadhi	Management of existing municipal park through procurement of private operator in DOT model	15
9	Children Park Rastra Bank Chowk-Dhangadhi	Management of existing municipal land through procurement of private operator in DOT model	5
10	Bhadrakali Nursery, China Pul, Pokhara	Protective fencing (for public safety purposes)	23

CAPACITY DEVELOPMENT OF NATIONAL COUNTERPARTS

In 2010 the project contributed significantly to the capacity development of 10 United Nations women Volunteers working as Field Workers in ten partner municipalities. The ten UNV Field Workers were deployed in Dhangadhi, Siddharthanagar, Butwal, Pokhara, Hetauda, Bharatpur, Birgunj, Dhulikhel, Dharan and Mechinagar. The Field Workers were placed in the respective municipality offices and have been working in close coordination with the local focal points both from the municipality and the local chambers of commerce and industry (CCI) since April. The UNVs are involved in tracking the service delivery in their local areas through PPP projects. Through their involvement in PPP activities, the volunteers are directly or indirectly concerned with infrastructure development as well as enterprise

development and employment generation. This is the first time in Nepal that UNVs are working with the private sector in business related activities.

In order that the UNVs could take on their responsibilities more effectively, capacity development for them was planned in three broad areas: private sector business related skills, gender specific skills development and development of skills modules. Six trainings/ capacity development programs targeted at the UNVs have been completed in 2010 – PPP project development skills, proposal writing and presentation, gender and social inclusion, good governance, enterprise development skills and a refresher training on PPP project development skills. As the UNVs work in close coordination with municipality and CCI focal points, focal points also participated in many of the trainings jointly with the UNVs.

3. Achievements against Annual Work Plan (Annual Targets & Activities)

SEE ATTACHED EXCEL FILE

4. Results in Gender Equality, Women's Empowerment, and Social Inclusion

Since conducting a study on gender sensitivity and social inclusion, PPPUE has taken extra steps to achieve GESI objectives in its activities. The revised project document (for 2010 onwards) made a provision for placement of women UNVs in PPPUE partner municipalities. One of their main responsibilities is to support to increase the capacity of local bodies to respond to the needs of disadvantaged groups and women in local service delivery through PPP projects. The project also conducted interactions with dedicated women's groups on PPP and the formulation of PPP projects with involvement of women and other disadvantaged groups. In disbursing seed grants in the 'older' PPPUE municipalities the project has made a special provision to target gender sensitive and socially inclusive projects. Capacity development provided by the project has also been targeted at women UNVs or women employees of municipalities or private sector.

In 2010, ten female UNV Field Workers were deployed in ten project partner municipalities as indicated above. Through their placement in the respective municipality offices, the UNVs have become closely involved in tracking the service delivery in their local areas through PPP projects. Their capacity development through the project is also yielding results and it is expected that they will be successful in further engaging women and disadvantaged groups in PPP activities at local level.

In the training on gender and social inclusion, 15 municipality and CCI staff from 11 municipality areas also participated in addition to the UNVs. Apart from sensitization on GSI issues, the training imparted knowledge and skills for GSI analysis of project concept notes, project proposals and mainstreaming GSI in all institution activities. Women (UNVs and women staff in municipalities and CCIs) were specifically targeted in the enterprise development training. The knowledge gained from the trainings is proving effective in the formulation of upcoming PPP projects and the running of present projects.

In 2010, an interaction programme with women's groups in Dhulikhel was held jointly with the Municipality to identify feasible PPP projects laying special focus on gender and social inclusion. During the program, the key projects discussed were: solar lighting in poor communities, drinking water

projects, improved slaughter shed in targeted Khadgi community, waste management (through composting, bin distribution and recycling).

Some results in running PPP projects

Since mid-October city-wide solid waste management in Dhangadhi Municipality in western Nepal is managed by a dalit NGO Voice of Children. In total, 89% of the employees in the waste management operations are from disadvantaged groups: 17 (or 56%) of the 30 employees are dalit and 10 (or 33%) are *janjati*. PPPUE provided seed grant support to add safety features to a plant nursery operating on a previous dumpsite by the Seti River in Pokhara. The nursery is operated by a woman *janjati* entrepreneur. Almost half (48%) of the employees are *janjati* women. In Biratnagar in eastern Nepal, parking areas in the central bazaar area (Main Road and Himalaya Road) are managed by the *Birat Bahira Sangh*. 22 parking attendants (8 are women) with hearing disabilities are employed in the parking areas. These examples demonstrate the opportunities for effecting gender and social inclusion results in public service delivery.

5. Implementation Challenges

Some of the implementation challenges the project has faced are:

- Decisions at the local level in the municipalities take time, and even when a decision is made implementing the decision is also delayed in many cases. The reasons for this are the lack of political representatives and the need to rely on the “political mechanism” to make decisions.
- Linked to the above challenge is the reluctance to take on additional burden or innovation in service delivery, etc. on the part of staff and officials in municipalities because of leadership and visionary vacuum.
- The local authorities still face difficulties in assessing user charges effectively because many consumers still feel that public services should be provided free of charge. This has presented some hurdles for PPP projects which need user charges for the projects to be viable.
- The private sector in the PPPUE partner municipalities is not able to explore all possible investment outlets in PPP as the project is limited to three primary priority areas: water supply, solid waste management, urban sanitation, and two secondary priority areas: renewable energy and urban transport management.

6. Lessons learned and next steps

Some of the lessons from the year’s experiences are:

- PPP projects or PPP arrangements should not be rushed into; education and capacity development of all main stakeholders are very essential for success in PPP.
- Clearer policy and other regulatory framework can work a lot to develop confidence in the private sector; it is expected that the PPP White Paper will act as a catalyst for this
- After gaining experience from smaller projects or ventures it is now time to build on the successes and shift the concentration to larger projects
- Concentration on one or two priority areas rather than on greater number of individual projects

BEST PRACTICES IN PARTNER MUNICIPALITIES

Pay parking by differently able attendants

Roadside parking in Biratnagar is now being efficiently managed by attendants with hearing disabilities since 2067 Shrawan (July 2010). The private partner in this new PPP arrangement in pay parking is the *Birat Bahira Sangh* (Birat Association of the Deaf). Most of the parking locations are along Main Road and along the road stretch from Jaljala Chowk to Mahendra (now Jana Aandolan) Chowk. It is estimated that around 500 vehicles (cars, motorcycles) use the designated parking areas on a daily basis. The parking charges are Rs. 5 for 2-wheelers and Rs. 10 for 4-wheelers. At present 22 parking attendants (8 female and 14 male) are employed in the operation. Two male supervisors monitor their activities.

This arrangement for managing on-street parking with involvement of differently able people is a commendable undertaking of Biratnagar Sub-metropolitan City. It is estimated that there are 400-500 people with hearing disabilities in Morang district; only 25% of them are gainfully employed. This arrangement allows hearing disabled members of the population to get employment and become active members of society. The *Birat Bahira Sangh* pays annual concession fees of Rs. 40,000 to the City in the PPP parking arrangement.

Involvement of dalit in city-wide waste management

Voice of Children (VoC), an NGO based in Dhangadhi, is managing the solid waste of Dhangadhi municipality in far western Nepal since late October 2010. After signing the contract agreement, the municipality has handed over its ownership of waste related equipments and manpower to VoC. With the onset of privately managed waste management, the costs to the Municipality will go down by 10 percent. 2,500 households are enjoying door to door collection. The operator has also started waste minimization activities such as scrap collection and composting of organic waste. A dalit-based NGO has been strengthened through the partnership

The Integrated Solid Waste Management Project in Dhangadhi, an initiative of the municipality, whereby a private operator takes care of the entire waste management function of the city is in many ways a replication of the waste management system in Biratnagar, whereby the private operator uses both human and physical resources of the municipality. The operator is also given a management fee which is reviewed periodically along the rationale that as door to door collection revenues go up, the management fees paid by the municipality decreases correspondingly.

Priority actions for 2011

- Continue work on larger priority projects – support to conduct detailed studies, additional support in development of projects
- Conduct a sectoral study for a selected ministry – the study would identify PPP potential in the ministry's sector and formulate a sector-wide strategy for the ministry. This study could then be replicated in other ministries in their respective areas of work.
- Identifying service providers to provide backstopping to municipalities – after identifying local providers (consultant firms, etc.) their capacity will be developed in PPP so that they can provide technical advice to municipalities in developing projects and materializing them.

7. Implementation Status of DEX or NEX Audit Action Plan (if applicable)

Audit areas – Findings	Impact Severity	Target date for implementation	Implementation Status (Implemented, Partially implemented, not implemented)
There was no standard management information system (MIS) within the project. Compilation of progress data was not done and data reported in the quarterly and annual progress reports were not readily verifiable.	Low	Sep-10	Implemented
Weak control over disbursements made to beneficiaries and consultant institutions for Studies and Trainings during 2009.	Medium	Jul-10	Implemented
Activities planned to be carried out in specific quarter as per Annual Work Plan were not included in Quarterly Work Plan however, expenses were incurred on such activities and variance analysis was not done.	Low	Jun-10	Implemented

Achievements against Annual Work Plan (Annual Targets & Activities)

Annual Targets	Achievement (against Annual Targets)	Planned/Activities	Achievements (against activities & actions)				Financial	
			Fund	Budget Code	Budget	Expenditure		
1) Draft PPP White Paper submitted to NPC 2) Knowledge products produced	Partially achieved	Activity Result 1: Policy and procedural instruments are put in place to initiate national level PPP projects Action 1.1: Support NPC to prepare, produce and disseminate PPP White Paper	00012	Local Consultant	7,000	7,195		
			00012	International Consultant	16,682	16,954		
			00012	Travel	64	64		
			00012	Miscellaneous	3,000	2,462		
			00012	Supplies	2,500	49		
	Fully achieved	Action 1.2: Support NBA to hold interaction programs to finalize PPP financing policy	00012	Miscellaneous	1,210	1,210		
	Fully achieved	Action 1.3: Support learning from PPP bodies in central government in other countries	00012	International Travel	15,000	16,159		
	Fully achieved	Action 1.4: Lessons learned and knowledge documented and disseminated, workshop/seminar conducted	00012	Travel	312	312		
			00012	Supplies	2,700	2,420		
			00012	Contractual Services	9,600	7,845		
			00012	Miscellaneous	900	765		
			00012	Workshop/ Seminar	9,895	6,520		
Sub Total					66,863	67,954		

Achievements against Annual Work Plan (Annual Targets & Activities)

Annual Targets	Achievement (against Annual Targets)	Planned Activities	Achievements (against activities & actions)	Financial			
				Fund	Budget Code	Budget Expenditure	
1) Two proposals prepared for two city level projects 2) 1 GSI PPP project initiated	Partially achieved	Activity Result 2: Local level interventions in PPP consolidated, sustained and replicated Action 2.1: Identification of potential city level PPP Projects in partner municipalities	Two city-level projects identified in partner municipalities. Proposals for the projects are being prepared. MOU signed with Western Regional Hospital to work jointly. Proposals being reviewed for initiating hospital waste management project in Pokhara.	00012	Travel	1,245	1,317
				00012	Contractual Services	11,500	11,500
				00012	Miscellaneous	1,050	-
				00012	Travel	688	688
Fully achieved	Action 2.2: Marketing and brokering of identified city level PPP Projects	Interaction meetings held with WHO, HCWH London representative, Western Regional Hospital, Pokhara and potential consultants/service providers for HCWM projects	00012	Travel	2,600	2,653	
			00012	Contractual Services	12,640	13,928	
			00012	Contractual Services-Individual	18,600	18,598	
			00012	Seed Grant	12,245	12,208	
			00012	Miscellaneous	3,100	3,098	
Fully achieved	Action 2.3: Support to identify, develop and implement feasible PPP projects (with special emphasis on gender-sensitive and socially inclusive projects)	Grant support provided to Bhadrakali Nursery project (<i>jinjiti</i> woman owned) at China Pul, Pokhara. Three projects developed in Pokhara and Biratnagar.	00012	Contractual Services	6,775	6,774	
			00012	Contractual Services			
			00012	Contractual Services			
			00012	Contractual Services			
			00012	Contractual Services			
Fully achieved	Action 2.4: Technical backstopping to PPP Committees in undertaking studies and other groundwork for PPPs	Support provided to Putali Bazaar project (Siddharthanagar) in applying for a bridging TDF loan; PPP orientation conducted in Nepalgunj; baseline and scoping studies initiated; other technical support provided to running and new projects in Bharatpur, Pokhara.	00012	Travel	3,590	3,763	
			00012	Contractual Services			
			00012	Contractual Services			
			00012	Contractual Services			
			00012	Contractual Services			
Sub Total					73,933	74,527	

Achievements against Annual Work Plan (Annual Targets & Activities)

Annual Targets	Achievement (against Annual Targets)	Planned Activities	Achievements (against activities & actions)	Financial		
				Fund	Budget Code	Budget Expenditure
1) 6 Feasibility/ Studies completed 2) 6 projects initiated		Activity Result 3: Technical assistance to ADB funded PPP interventions in four municipalities				
	Fully achieved	Action 3.1: Formation of PPP Committees, selection of PPP focal points and their training (Dharan, Dhangadi, Birgunj and Butwal)	PPP Committees were formed in the four municipalities and focal points were selected. Support provided to focal points. Focal points were oriented on PPP and provided training in Public Private Partnership, Gender and Social Inclusion, Good Governance and Proposal Writing.	ADB	Contractual services- Individual	19,958
				ADB	Travel	1,671
				ADB	Supplies	1,224
	Fully achieved	Action 3.2: Conduct team building workshop, orient municipality, CCI and civil society to partake in PPP identification and formulation	Orientations and team building meetings conducted in Dhangadhi, Birgunj, Dharan and Butwal.	ADB	Travel	1,741
	Fully achieved	Action 3.3: Conduct baseline study of urban utilities, basic service delivery and own resource generation & review of annual and periodic plans of municipality	Baseline study reports completed for Birgunj, Butwal, Dhangadhi and Dharan.	ADB	Contractual services	6,175
	Fully achieved	Action 3.4: Conduct scoping for PPP projects and interactions with Municipality, CCI and civil society representatives	Scoping studies completed for Birgunj, Butwal, Dharan and Dhangadhi. Interactions were held to disseminate the findings.	ADB	Travel	7,829
	Fully achieved	Action 3.5: Conduct activities for implementing PPP Projects (feasibility studies, marketing projects, procurement, seed grant)	Nine projects initiated in four municipalities. Six feasibility studies completed in four municipalities.	ADB	Contractual services	22,500
				ADB	Seed grant	41,312
				ADB	Travel	4,356
				ADB	Supplies	1,429
	Fully achieved	Action 3.6: Monitoring of PPP projects	Ten women UNVs deployed in ten partner municipalities, and three Project Field Coordinating Officers deployed in three regions.	ADB	Travel	4,440
				ADB	Contractual services- Individual	40,000
						39,681

Achievements against Annual Work Plan (Annual Targets & Activities)

Annual Targets	Achievement (against Annual Targets)	Planned Activities	Achievements (against activities & actions)	Financial			
				Fund	Budget Code	Budget Expenditure	
	Fully achieved	Action 3.8: Conduct training to UNVs	UNVs and municipality focal points were trained through six training programmes - PPP project development, Gender & Social Inclusion, Good Governance, proposal writing, enterprise development. The training were conducted through recognized training institutions like Urban Devt Training Centre, Nepal Administrative Staff College and Industrial Enterprise Development Centre.	ADB	Contractual services	44,903	41,903
		Action 3.9: GMS Charges		ADB	Miscellaneous	22,718	16,990
						222,382	205,863
1) I compost chamber operational	Partially achieved	Activity Result 4. Monitor sustainable solid waste management initiative in Biratnagar Action 4.1: Initiate 3Rs and improved at source waste management practices	A Waste inventory study of BSMC was completed to update existing information on solid waste management which would work as the baseline information for the ISWM project. A study on capacity development of households/ community groups on waste separation and recovery at different levels was completed. The study recommended the various capacity building strategies and training inputs. On the basis of above study, capacity building at household level for source separation techniques, recovery and 3Rs is going on. The trainings are scheduled to be completed by mid December.	00012	Contractual services - Individual	1,875	1,500
				00012	Local Consultant	1,500	1,200
				00012	Contractual services	5,515	4,412
				00012	Travel	657	913
				00012	Supplies	375	307
	Partially achieved	Action 4.2: Incorporate recycling activities within overall waste management system including revenue generation	Two interactions with scrap dealers were organized to discuss various alternatives for establishment of a central recycling yard or facility. A committee of scrap dealers was formed to guide future actions; an appropriate site for locating recycling facilities is being identified.	00012	Contractual services	1,000	800
				00012	Travel		188

Achievements against Annual Work Plan (Annual Targets & Activities)

Annual Targets	Achievements (against Annual Targets)	Planned Activities	Achievements (against activities & actions)	Financial			
				Fund	Budget Code	Budget Expenditure	
			including the modality for relocation.	00012	Supplies	375	300
	Partially achieved	Action 4.3: Initiation and establishment of community based waste management	Assessment study on potential of compost sale in the future and analysis of ongoing composting activities in BSMC and study of potential buyers are completed.	00012	Contractual services	7,355	5,884
Sub Total						16,840	15,316
		Project/Programme Support Cost		00012	Contractual services - Individual	109,000	111,340
				00012	Equipment and Furniture	38,000	38,611
				00012	Communication	3,722	3,765
				00012	Stationeries and Supplies	3,286	3,148
				00012	Rental and Maintenance - Premises	15,575	14,966
				00012	Maintenance, Operation of Transportation equipment	7,175	6,824
				00012	Miscellaneous Expenses	7,483	7,812
			UNDP	04000	UNDP Miscellaneous Expenses	13,081	12,918
				ADB	UNDP Miscellaneous Expenses	8,895	8,234
				NET	UNDP Miscellaneous Expenses	754	613
Sub total						206,971	208,231
Total Budget						590,989	565,891

Issues Log

Award ID: 00034877						
Award Title: Public-Private Partnerships for Urban Environment (NEP/04/001)						
Year: 2009						
ID	Type	Date Identified	Description and Comments	Status	Status Change Date	Author
1	01_OTHER	16/06/2009	Frequent changes in municipality executive officers affect PPP project development, other PPP activities and subsequent implementation	No change	Dec-10	PPPUE
2	02_OTHER	16/06/2009	PPP activities are still seen as domain of PPP focal point or his/her section or department PPP co-ordinating cells formed in municipalities with department and section heads of the municipal office	Improved	Dec-10	PPPUE
3	02_OTHER	1/9/2010	Long absence of EO in terai Municipalities like Birgunj, Nepalgunj & Biratnagar has delayed in Project implementation.	No change	Dec-10	PPPUE

Risk Log

Public-Private Partnerships for Urban Environment

34877

Project Title:

Award ID:

#	Description	Category	Impact & Probability	Countermeasures / Mngt response	Owner	Author	Date Identified	Last Update	Status
1	If strikes or bandhs are prolonged blocking free movement, implementation of project activities will be negatively impacted	Operational	P = 3	UNV women field workers have been recruited and deployed in 10 municipalities, 3 Field Co-ordinating Officers deployed in regions	PPPUE	PPPUE	16/06/2009	Dec-10	Reducing
2	New procurement laws and regulations fail to include PPP procurement provisions	Operational	P = 1	PPP procurement guidelines have been drafted and submitted to MLD. MLD is to make amendment in LSGFR.	MLD	PPPUE	11/12/2008	Dec-10	No change
3	Uncertainty of local level governance structure	Political	P = 1	Coordination with major political parties	PPP Committee	PPPUE	22/09/2006	Dec-10	No change
4	Absence of local representatives is prolonged	Political	P = 1	Coordination with major political parties	PPP Committee	PPPUE	22/09/2006	Dec-10	No change