



# Nepal: South Asia Subregional Economic Cooperation Mugling–Pokhara Highway Improvement Project (Phase 1)

Project Name	South Asia Subregional Economic Cooperation Mugling-Pokhara Highway Improvement Project (Phase 1)								
Project Number	52097-002								
Country	Nepal								
Project Status	Proposed								
Project Type / Modality of Assistance	Loan Technical Assistance								
Source of Funding / Amount	<table border="1"> <tr> <td colspan="2">Loan: South Asia Subregional Economic Cooperation Mugling Pokhara Highway Improvement Project (Phase 1)</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 195.00 million</td> </tr> <tr> <td colspan="2">TA: South Asia Subregional Economic Cooperation Mugling Pokhara Highway Improvement Project (Phase 1)</td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 500,000.00</td> </tr> </table>	Loan: South Asia Subregional Economic Cooperation Mugling Pokhara Highway Improvement Project (Phase 1)		concessional ordinary capital resources lending / Asian Development Fund	US\$ 195.00 million	TA: South Asia Subregional Economic Cooperation Mugling Pokhara Highway Improvement Project (Phase 1)		Technical Assistance Special Fund	US\$ 500,000.00
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Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration								
Drivers of Change	Governance and capacity development Partnerships								
Sector / Subsector	Transport - Road transport (non-urban)								
Gender Equity and Mainstreaming	Some gender elements								
Description	The project road is a two-lane carriageway and carries about 7,400 vehicles, including 14% of goods vehicles and up to 55% of motorcycles in urban areas. Traffic is forecast to increase to 13,000 vehicles by 2040, and the rising number of motorcycles creates significant road safety risks, notably as (i) the road winds through the mid-hill region of Nepal and its geometry can be improved, (ii) slow-moving vehicles and pedestrians are not segregated in urban areas, and (iii) the pavement is in poor condition. The road will be widened to four lanes to cater to increasing demand, and design standards will feature enhanced geometry, pavement, structure, drainage, safety, and intelligent traffic system features to improve sustainability, safety awareness, safety compliance. The road will be median-divided, and service lanes in urban areas will improve safety, particularly for women and children who are more likely to walk, ride a bicycle or use public transport than men. The project design incorporates lessons from previous projects, including on procurement, readiness, and asset management and sustainability.								
Project Rationale and Linkage to Country/Regional Strategy	<p>Nepal is landlocked and bordered to the north by the People's Republic of China, and to the south, east, and west by India. Consequently, Nepal relies heavily on its direct neighbors for international trade, mainly India which traded 65% of Nepal's imports and 58% of its exports in fiscal year (FY) 2018. The economy of Nepal is hampered by its inadequate infrastructure network, which results in high operating costs and travel times, and (i) constrains the development of competitive export supply chains, (ii) hinders the exploitation of its natural resources and tourism potential, and (iii) impedes regional integration and trade with indirect neighbors. The gross domestic product (GDP) grew by 4.5% annually between FY2008 and FY2018, and is forecast to grow by 6.2% in FY2019, but depends on exogenous factors such as rainfall and remittances; the agriculture sector still employed 69.4% of the labor force in FY2015.</p> <p>Pokhara is the capital of the Gandaki province and has a population of about 450,000 in 2019. It is a major economic and social hub for its hinterland, although Pokhara's location at the footsteps of the Himalayas impedes connectivity and restricts access to markets, employment, and social opportunities. The sinuous 200-km journey to Kathmandu takes over five hours by road; there are no railway or waterway connections; and its domestic airport handled 373,000 passengers only in 2018. Despite poor transport linkages, Pokhara's attractive environment makes it a primary tourism destination, and it welcomed about 376,000 international visitors in 2017 (40% of all international arrivals in Nepal, up from 22% in 2001). The project aims to address Pokhara's deficient domestic and regional connectivity by improving its primary road access link, and in turn (i) increase domestic and international trade, (ii) promote the development of competitive export supply chains, (iii) increase accessibility to markets, employment, and social services; and (iv) leverage Pokhara's tourism potential. The project will also increase connectivity and urban road safety for the major settlements located between Mugling and Pokhara.</p> <p>Roads are the predominant mode of transport for over 90% of goods and passengers, although road density remains low with 47 km of road per 100 square km. The SRN totals 12,494 km, 51% of which is paved, and is developed and maintained by the Department of Roads of the Ministry of Physical Infrastructure and Transport (MOPIT). Registered vehicles increased from 0.7 million in FY2009 to 3.2 million in FY2018, with motorcycles accounting for 79.6% of sales. While the number of registered vehicles is expected to quadruple in the next decade, the high traffic fatality rate, of 15.9 fatalities per 100,000 people, emphasizes the need to strengthen road safety, notably by improving road design, in addition to increasing capacity. The annual maintenance budget of the SRN increased by 3.8%, in real terms, between FY2011 and FY2017; however, the average budget utilization of 81% also requires improvements of asset management and budget planning practices. Nepal's international and domestic air travel increased by 5.4% and 2.0% annually during 2011-2016, but capacity constraints at Kathmandu airport inhibit growth. A new Pokhara Regional International Airport is being constructed to alleviate capacity constraints of the existing Pokhara airport, and is expected to be completed in 2021.</p>								
Impact	Transport connectivity within Nepal and with neighboring countries improved Physical connectivity and multimodal linkages for land-based transport along major trade routes enhanced								
Outcome	Efficiency and safety of the road transport system improved								
Outputs	Road network upgraded and maintained Awareness of communities and capacity of government staff on road safety, disaster risk reduction, and project implementation improved								
Geographical Location	Abu Khaireni, Pokhara								
Safeguard Categories									

Environment	B
Involuntary Resettlement	A
Indigenous Peoples	C

#### Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples
Stakeholder Communication, Participation, and Consultation
During Project Design
During Project Implementation

#### Business Opportunities

Consulting Services	All consultants and nongovernment organizations will be recruited according to ADB's Procurement Regulations (2017, as amended from time to time). All firms will be recruited using ADB's quality- and-cost-based selection (QCBS) under full technical proposal (FTP) and a standard quality -cost ratio of 90:10.
Procurement	All procurement of goods and works will be undertaken in accordance with ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). Open competitive bidding (OCB) procedures will be used for all civil works contracts with provision for domestic preference. Requests for quotations will be used for procurement of works and goods estimated to cost less than \$100,000.

Responsible ADB Officer	Georget, Johan
Responsible ADB Department	South Asia Department
Responsible ADB Division	Transport and Communications Division, SARD
Executing Agencies	Ministry of Physical Infrastructure and Transport Singha Durbar Kathmandu Nepal

#### Timetable

Concept Clearance	12 Jun 2019
Fact Finding	27 May 2019 to 11 Jun 2019
MRM	08 Jul 2019
Approval	-
Last Review Mission	-
Last PDS Update	13 Jun 2019

Project Page	<a href="https://www.adb.org/projects/52097-002/main">https://www.adb.org/projects/52097-002/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=52097-002">http://www.adb.org/forms/request-information-form?subject=52097-002</a>
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