



Ministry of Urban Development  
Department of Urban Development and Building Construction

# NEPAL URBAN GOVERNANCE and INFRASTRUCTURE PROJECT (NUGIP)

## PROJECT IMPLEMENTATION MANUAL Volume I

Final draft  
September 2020 December 2020



## Preamble

This Project Implementation Manual (PIM in short) is prepared by the Government of Nepal to operationalise the implementation of the support to be received from the World Bank (IDA) under the *Nepal Urban Governance and Infrastructure Project (NUGIP)*. It is written as a tool and guideline for project implementers in the participating municipalities, as well as the involved federal departments and agencies.

The main objective of NUGIP is to assist 17 selected municipalities using the mandates, powers and financial resources given to them under Nepal's new constitution that was adopted in 2015, to face and deal with the challenges of rapid urbanisation and need for economic growth. The project will make available to those municipalities, provided they meet specific minimum conditions, a discretionary multi-annual sector grant for urban infrastructure development. A total of 21 municipalities (including the aforementioned 17) will receive capacity development support to improve urban governance as well as their municipal service delivery systems. An additional 12 municipalities will receive support for operationalization of Labour-Intensive Public Works for post-COVID recovery support.

The PIM is presented in two separate volumes, whilst volume I is divided in three sections. Chapter 1 presents the context, the vision and the concrete objective of the programme as well as an overview of the overall project design, its components and the overall budget. Chapters 2 to 4, that constitute together Part II, is targeting the readers at municipal level. Chapter 2 deals with the urban development grant (UDG). It describes the steps and procedures to get access to the grant, how it can and should be used and how it needs to be accounted for. Chapter 3 describes the content, organisation and ways of delivering capacity development support that will be extended to the 21 municipalities through two regional cluster support teams. It also describes how municipalities can influence the content of the support in order to meet their needs. Chapter 4 describes the institutional arrangements that municipalities need to put in place for NUGIP implementation.

Part III deals with the roles and responsibilities as well as the institutional arrangements for the project at federal level. Chapter 5 describes the support for project management and coordination at federal level, whilst chapter 6 describes the institutional arrangements for the involved federal level parties involved in the project. Chapter 7 provides an overview of all compliance issues including those related to financial management, procurement and environmental & social safeguards, including gender. Chapter 8 summarises the provisions for M&E.

Volume II contains, as a series of annexes, a range of technical formats, specific guidelines as well as terms of reference related to actions and provisions that are referred to in Volume I. Some of these annexes are, given their volume, presented as stand-alone documents, referred to in the PIM.

The target audience for the PIM are all those involved in the implementation of the project, both at federal and, notably, the local level. It hence addresses elected members as well as staff of the participating municipalities, especially those responsible for urban development. For them, the PIM should be seen as the NUGIP project document. Readers in municipalities should notably pay attention to Part I and Part II of the document and the annexes referred to in those sections.

At federal level, in addition to the Ministry of Urban Development (MoUD) as the primary coordinating agency for NUGIP, and its Department of Urban Development and Building Construction (DUDBC), to which the coordinating roles have been delegated, the PIM is relevant to participating ministries, including the Ministry of Finance and those ministries and agencies that deal with planning and grant allocation. Provinces may find the PIM of interest to better understand the roles and responsibilities of the various layers of government in dealing with urban management and rapid urbanisation.

Updates of this document and its annexes will be posted on the MoUD/NUGIP webpages ([Please update with the correct website](#)), where also the MS Word versions of the various annexes, that are to be used by the municipalities, can be found. At the same time, reference is made to the World Bank website ([will be updated after WB Board approval](#)) for all publicly disclosed World Bank documents on NUGIP, including the Project Appraisal Document (PAD) on which this PIM is based.

Finally, for any further questions or any observations with regards to the project in general or this manual in particular, readers are invited to contact the Project Coordination Unit within DUDCB, or any of the two regional Urban Development Support Teams (UDSTs), contact details for which are provided below.

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#### Terms of Reference (ToRs)

- 3) Composition and tasks of the dedicated NUGIP **facilitation** [shall we use the Coordination consistent to the PCO?] team within the DUDBC
- 4) ToR for a Technical Assistance Team to assist the dedicated NUGIP **facilitation** team
- 5) ToR for the two (2) Urban Development Support Teams (UDSTs)
- 6) ToR (template) for Design and Supervision Support Teams (DSSTs) in the municipalities
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- 8) ToR for the NUGIP Municipal Coordination Committees (MCCs)

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- 11) Environment and Social Management Plan (ESMP) Template [as part of the ESMF]
- 12) Technical guidance notes for key sectors
- 13) Format for Detailed Project Report (DPR) - Detailed sub project engineering design

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#### Procurement

- 14) Bidding documents (template) for selection of a Design & Supervision Support Team
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Reporting formats - **Trimestral** progress reports [As Trimestral has been understood as four months, let us avoid this word and use quarter instead. For four months let us use quadrimester. Avoid all TRIMESTER.]

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- 23) **Trimestral** progress reports of the DSST consultant to the municipality
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**Note:** The documents presented in the above annexes are for reference only. During project implementation up-to dated versions should be used or referred to. The purpose of the PIM is to provide guidance to ~~implementers~~<sup>implementers</sup> for project implementation, and provide step-by-step guidance on implementation process. Except the most important provisions and for ease of reference for the ~~implementers~~, other provisions of FA, PAD, PSD, Procurement Plan, WB Procurement Regulations, National PPA/PPR are not repeated in the PIM.

## List of Abbreviations

AWPB	Annual Work Plan and Budget
CoC	Code of Conduct
DoR	Department of Roads
DPR	Detailed Project Report
DSST	Design and Supervision Support Team (to be recruited by each municipality)
DTCO	District Treasury Controller Offices
DUDBC	Department of Urban Development & Building Construction
DWSSM	Department of Water Supply and Sewerage Management
ESIA	Environmental and Social Impact Assessment
ESMF	Environment & Social Management Framework
ESMP	Environment and Social Management Plan
FCGO	Financial Comptroller General Office
FFCD	Fiscal Federal Coordination Division (in MoF)
FFCD	Fiscal Federalism Coordination Division (in MoF)
FPFA	Fiscal Procedures and Financial Accountability Act
FY	Fiscal Year
GAC	Grand Access Conditions (for UDG)
GBV	Gender-Based Violence
GoN	Government of Nepal
GRM	Grievance Redress Mechanism
GSDRC	Governance & Social Development Resource Centre (Birmingham University)
IDA	International Development Association
IECCD	International Economic Cooperation and Coordination Division
IFAA	Inter-Governmental Fiscal Arrangements Act (2017)
IGRM	Integrated Grievance Redress Mechanism
IPF	Investment Project Finance
IUFR	Interim Un-audited Financial Report
LGOA	Local Government Operations Act (2017)
LMBIS	Line Ministry Budget Information System
MCC	Municipal Coordination Committee
M&E	Monitoring & Evaluation
MIF	Municipal Investment Forum
MoF	Ministry of Finance
MoFAGA	Ministry of Federal Affairs and General Administration
MoUD	Ministry of Urban Development
MoWS	Ministry of Water Supply
NNRFC	National Natural Resources and Fiscal Commission
NUGIP	Nepal Urban Governance and Infrastructure Project
O&M	Operations & Maintenance
OAG	Office of the Auditor General
PDMO	Public Debt Management Office (in MoF)
PIM	Project Implementation Manual
PLGSP	Provincial and Local Governance Support Program
PMST	Project Management Support Team
PPR	Procurement Post Reviews
PPSD	Project Procurement Strategy Document for Development
PSC	Project Steering Committee
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SEA/SH	Sexual exploitation, Abuse and sexual harassment
SoE	Statement of Expenditure
STEP	Systematic Tracking of Exchanges in Procurement
SuTRA	Sub-national Treasury Regulatory Application
ToR	Terms of Reference
UC	User Committees
UDG	Urban Development Grant
UDST	Urban Development Support Teams
USD	United States Dollar
VCDF	Vulnerable Community Development Framework
VCDP	Vulnerable Community Development Plan
WB	World Bank



## Foreword

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One-page - by Minister or ~~Joint~~ Secretary of MoUD

## 1. NUGIP -Project description and overview

### 1.1 Urbanisation: The challenges and the opportunity

#### Challenge #1: Nepal's rapid rate of urbanization

The 21st century is also referred to as the first urban century. To-date, more than 50% of the world's population lives in urban areas. Urban centers drive economic growth and offer economies of scale in productivity and public investments; they are centers of innovation and drivers of social change. However, cities can also be marked by inequality, poverty, violence and environmental degradation. Urbanization, and especially rapid urbanization, is both an opportunity and a challenge (GSDRC, 2016).

Based on the Agglomeration index (as introduced in the World Development Report, 2009) and the Census 2011, the level of urbanization for Nepal is estimated at 26%. Comparatively Compared to other countries this is still relatively low below. However, the annual urban population growth is estimated at 6%, which is well above the regional average of 3-4% (World Bank, 2018). Hence as much as the present level of urbanization in Nepal is still relatively low, it is expected to grow fast. In fact, at present, Nepal is one of the least urbanized countries in South Asia, but at the same time the fastest urbanizing country in the region.

Hence, and as highlighted in the National Urban Development Strategy (2017), in order to realize sustainable growth and economic development, create resilience and mitigate the impact of climate change, addressing the issue of rapid urbanisation, which *includes issues of urban governance, urban infrastructure and provision of urban services*, is a top priority for the country.

#### Challenge #2: New and expanded roles for the municipalities

Under the new Constitution of Nepal (2015), a three-tiered government system was established comprising the federal government, seven provincial governments, and 753 local governments, 293 of which are designated municipalities. Under the new Constitution, the mandates (i.e. the service delivery obligations) and the financial resources for the lowest (local) tier of government tremendously increased. Most service delivery obligations for urban development are now decentralized to the urban local levels, as provided under the new Local Government Operations Act (LGOA) 2017. Whereas, in the past, the Department for Urban Development and Building Construction (DUDBC) prepared city-wide development plans, this is now under the responsibility of the concerned municipalities. [Previously Periodic Plans were prepared by DUDBC. Now also Interated Urban Development Plans are being prepared by DUDBC. What is the difference?] Most municipalities (and their staff), however, lack the experience, and likely also the required capacity, to take on these new roles. Consequently the effective transfer of functions and responsibilities is an ongoing, far from finished, process. Further these new municipalities have varying capacities for effectively communicating and engaging with their citizens, including with respect to receiving and resolving grievances from communities.

#### Challenge #3: Need for a city wide approach to address issues of urbanisation

Nepal has a long history of local (ward) level planning [We hardly make ward level plan] and project planning and implementation as well as actual service provision [?] by user groups. Often this led to fragmentation and inefficient [?] use of available financial resources, that resources that were used on small disconnected projects in the various neighbourhoods. Addressing the issue of rapid urbanisation and improving urban service delivery requires a different approach, based on city wide strategic

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planning and implementation of sizable projects, to be implemented by highly skilled professional contractors recruited for the purpose. [?]

**The opportunity:** The Nepal Urban Governance and Infrastructure Project (NUGIP) now seeks to turn the above challenges into the opportunity of addressing the issues of rapid urbanisation in a holistic and city-wide manner that impacts in the Municipal level [Which project will be present municipal wide?] ~~through the newly established and empowered municipalities~~ by assisting ~~them~~ Municipalities to build the capacity, both institutionally and financially, to take up their new and expanded roles.

As such, the main overarching goal of the project is to assist Nepal, on a pilot basis for a selected number of municipalities, to support them in dealing with issues of rapid urbanisation in the context of the federal constitution, by pioneering implementation of larger scale strategic municipal infrastructural projects by the municipalities themselves and use conditional sector grants, provided by the federal government, to fund these municipal responsibilities.

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Table 1.1: Geographical coverage; Map and list of 17+4 = 21 selected municipalities



Eastern Cluster	Western Cluster	Central-hill / Southern Plain
Urban Development Grant and Capacity Development support		Capacity Development support only
1. Birtamod 2. Damak 3. Dhankuta 4. Itahari 5. Mechinagar 6. Rajbiraj 7. Sundarharaicha 8. Triyuga 9. Uribari	1. Baglung 2. Byas 3. Pokhara - Lekhnath 4. Putalibazar 5. Ramgram 6. Shuklagandaki 7. Tansen 8. Tilottama	1. Gaur 2. Dhanusadham 3. Jaleshwar 4. Jiri

Comment [M1]: Either a new Nepal map or safer not to have a map???

Labour Intensive Public Works Support <a href="#">Shall we separate the table?</a>	
1. Phidim	1. Sandhikharka
2. Golbazar	2. Lamahi
3. Bhimeswor	3. Musikot
4. Hariwon	4. Lamki Chuha
5. Kawasoti	5. Bheri
6. Phalewas	6. Amargadhi

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Note: The list of 21 municipalities under NUGIP includes seven municipalities that were earlier part of the World Bank funded Emerging Town Project, being Pokhara, Lekhnath (now merged into Pokhara), Baglung, Tansen, Dhankutta, Itahari and Mechinagar.

## 1.2 Geographical coverage

NUGIP will support selected urban local governments located in two strategic urban clusters, being the Eastern-Terai region (Provinces 1 and 2) and Western region (Provinces 4 and 5). These two clusters were selected on the basis of (i) spatial concentration of emerging key urban centres; (ii) their diverse geographical and demographic characteristics with municipalities located in lowlands (Eastern-Terai and Western) and more hilly areas (Western cluster); and (iii) the presence of development partners.

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The selection of municipalities within the two selected clusters was based on a set of criteria, including: (i) level of municipal service needs and investment requirements; (ii) strategic relevance and importance of the concerned municipality within the cluster; and (iii) potential socio-economic impact of larger scale strategic urban infrastructure projects. [\[What does it explain? Better remove these two paragraphs.\]](#)

Seventeen (17) municipalities were selected as recipients of resources for municipal infrastructure and service delivery investments as well as institutional capacity development. It concerns nine municipalities in the Eastern Zone and eight in the Western zone.

Four additional municipalities, located in the Central-Hill and Southern Plain clusters will benefit capacity development support only (See Table 1.1).

Twelve municipalities have been selected as recipient of resources for Labour Intensive Public Works. The municipalities spread across all the seven provinces and are grouped based on their location in two operational clusters-the eastern and the western.

## 1.3 Development objectives

NUGIP, funded through a credit from the International Development Association (IDA) and implemented under the purview of the Ministry of Urban Development (MoUD), is to assist 21 municipalities in operationalizing inclusive and participatory urban governance structures and procedures along with implementing urban infrastructure projects that are selected in line with those governance principles.

The development objective of the project is:

***“to strengthen the institutional and fiscal capacities of participating Urban Local Levels for strategic municipal infrastructure and service delivery.”***

In order to achieve this objective, the project will introduce a multi annual conditional sector grant for strategic municipal infrastructure, targeting the participating municipalities that could, in future, be scaled up to all municipalities in

Nepal, as well as to other sectors. The grant will be complemented by a package of capacity development support.

The aim of NUGIP is to support the operationalization of the federal constitution through the angle of addressing issues of urban governance and urban infrastructure. The achievements against the development objective will be measured against four indicators that are listed in Table 1.2.

**Table 1.2: Project Development Objective (PDO) level indicators**

- Municipalities receive annual Urban Development Grant (UDG) allocations in a timely manner after verification of Grant Access Conditions (GACs)
- Average annual UDG utilization rate of participating municipalities for financing strategic municipal infrastructure projects
- Number of strategic municipal infrastructure subprojects planned and executed reflecting citizen and service delivery needs [Is it good indicator? Or should we consider %?]
- Number of people with improved urban living conditions [Number people whose living condition is improved by NUGIP]
- Number of people receiving LIPW benefits

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#### 1.4 Project components

NUGIP had three components, but with inclusion of the COVID-19 response to be added in all IDA funded projects, the project now has four components as follows:

- **Component 1: The Urban Development Grant (UDG)** with a total IDA budget of USD 115million for strategic urban infrastructure and service delivery through sub-projects in the 17 selected municipalities, which will be implemented by the municipalities themselves; Citizen engagement and participation is a critical element of this component to ensure that infrastructure subprojects identified by UGLs [Municipalities?] reflect local needs and priorities;
- **Component 2: Institutional Strengthening** Support for an amount of USD 7million, for 21 municipalities (including the 17 aforementioned), notably through the mechanisms of two regionally based Urban Development Support Teams (UDSTs) with experts in various fields that will provide tailor-made support to the Municipalities on demand, in response of concrete needs; and through a program of mentoring and formal training on topics of project planning, project management, municipal management and urban governance.
- **Component 3: Labor Intensive Public Works** component has been incorporated for post COVID response and recovery. Implementation of LIPW will be an opportunity for wage-earners in helping them mitigate short and medium-term negative impact of the COVID crisis. With a budget of USD 20 million, the delivery of LIPW will provide wage-income to targeted beneficiaries in 12 participating municipalities through implementation of small infrastructure development and maintenance projects. The component is guided by the NUGIP-PIM in overall and is specifically operationalized under the Project Operation Manual (POM) for LIPW.
- **Component 4 : Contingent Emergency Response**
- **Component 5: Project Management and Coordination** for an amount of USD 8 million, at federal level, to cover the operational expenses as well as support for

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the dedicated NUGIP facilitation team within the DUDBC; policy and regulatory support to MoUD, as well as a number of capacity development activities.

The four components are summarized in Table 1.3 below and discussed more in detail in the following chapters i.e. Chapters 2, 3 and 5, respectively.

**Table 1.3: Summary of NUGIP components, IDA credit budget and implementation modes**

Component	Budget IDA credit	Implementation mode
<b>C1: Urban Development Grant (UDG)</b>	USD 110M 115M\$	Formula based allocations for each Municipality. Selected sub-projects must meet a series of mandatory requirements (see below) and actual annual releases are subject to the municipality meeting the Grant Access Conditions (GACs). The annual allocations (based on cashflow forecast) are included in the federal budget and transferred to Municipal accounts following GoN rules & regulations. Municipalities are responsible and accountable for the use of the funds.
<b>C2: Institutional Strengthening Support for the participating MUNICIPALITIES</b> through Two Urban Development Support Teams (UDSTs)	USD 7M\$	MoUD/DUDBC will recruit and field two expert teams, covering the participating MUNICIPALITIES in the Eastern and Western clusters respectively, and assist them to develop their capacity, with a focus on (but not limited to) procurement and contract management for (i) design and supervision engineers; and (ii) the construction companies. The annual work plans of the teams will be driven by both MoUD/DUDBC (through the ToRs for the teams) and the concerned municipalities, through annual evaluation and programming sessions. The UDSTs have dual reporting lines to both the MoUD and the MUNICIPALITIES.
<b>C3: Support to municipalities for COVID-19 recovery</b>	USD 20M\$	This component will provide support and relief to vulnerable groups in participating 12 municipalities to help mitigate the short and medium term negative impact of the COVID 19 crisis through rapid Labor-Intensive Public Works (LIPW). The component will finance (i) payment of wages for beneficiaries who undertake temporary employment short-term LIPW sub projects work (ii) expenses for works [?], tools and materials for the implementation of sub projects, and (iii) expenses related to management of the LIPW (sensitization, consultations, administration, and supervision).
<b>C4: Contingent Emergency Response</b>	USD 0M\$	The proposed project includes a Contingent Emergency Response (CER) component to respond rapidly at the Government's request in the event of an eligible disaster, including climate-related events and pandemics. This Component will finance the implementation of emergency infrastructure reconstruction, rehabilitation, and associated studies

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Component	Budget IDA credit	Implementation mode
		(Emergency Response Activities). Resources will be allocated to this component as needed by the project during implementation
<b>C5: Project Management and Coordination</b>  Support for the capacity of MoUD and its dedicated NUGIP coordination unit  Recruitment of a Project Management Support Team (PMST) <a href="#">[Is it Technical Assistance Team?]</a>	USD 8M\$	Within MoUD/DUDBC, GoN will establish a small dedicated NUGIP unit, staffed by government, tasked to ensure that Municipalities properly use, and account for the project funds (made available under C1) to both downward the Municipal assembly and upward to the MoUD/GoN, consistent with the provisions of the present federal system of government. The Unit will be supported by a Project Management Support Team (PMST) <del>to be hired</del> .  The component also covers a few specific capacity development support activities for the Ministry and the Provinces, notably related to their respective new roles and functions with regards to urban development; as well as developing norms and standards.
<b>Total NUGIP Budget:</b>	USD 150M\$	

Whilst the funds under components 2 and 3 [\[LIPW fund?\]](#) are managed by the MoUD/DUDBC, all funds under component 1 are directly transferred to and managed by the municipalities. The MoUD, through the DUDBC, will exercise oversight on the use of the Urban Development Grant in line with the provisions of the Federal Constitution. Overall, the project has a very strong focus on directly supporting the municipalities for them to take care of their responsibilities.

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### 1.5 Implementation modality: Investment Project Financing (IPF)

This Project follows the modality of Investment Project Financing (IPF). This means that loan proceeds are spent under the direct supervision of the World Bank on the basis of an agreed work and procurement plan and that World Bank financial guidelines and procedures apply. This means, amongst others, that for all procurement, the Bank's Procurement Regulations for IPF Borrowers apply (July 2016; Revised November 2017/August 2018).<sup>1</sup> It also means that the World Bank guidelines for social and environmental safeguards apply.

The Government of Nepal will advance expenditures for NUGIP and be reimbursed by the World Bank for eligible expenditures based on [trimestral Statements of Expenditure \(SOEs\)](#). Eligible expenditures are those that are made in accordance to the provisions of this PIM and the applicable World Bank financial management and [environmental and social safeguards guidelines](#). [\[Only ESMF be referred by the municipality and WB may use their guidelines\]](#)

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### 1.6 Project budget summary

[Apart from the IDA loan, the participating municipalities are expected to contribute 10 percent of the investment costs from their own resources.](#) The total project budget by component is as presented in Table 1.4 below.

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<sup>1</sup> See: <http://pubdocs.worldbank.org/en/178331533065871195/Procurement-Regulations.pdf>

Almost 88 percent of the NUGIP budget is earmarked for urban infrastructure development. A maximum of 10 percent of this amount can be used for investment servicing costs i.e. for design, supervision and monitoring. The investment servicing costs include the costs of recruitment, by each municipality, of a Design and Supervision Support Team (DSST).

Component	IDA
<b>C1: Urban Infrastructure Development Grant (UDG)</b> - also funding the municipality level Design and Supervision Support Teams (DSSTs)	USD 115M
<b>C2: Municipal Institutional Strengthening</b> support - through 2 regional Urban Development Support Teams (UDSTs)	USD 7M
<b>C3 : Support to municipalities for COVID-19 recovery</b>	USD 20 M
<b>C4: Contingent Emergency Response</b>	USD 0M
<b>C5: Project Management &amp; Coordination</b> with a Project Management Support Team (PMST) at federal level	USD 8M
<b>TOTAL:</b>	USD 150M

**Comment [M4]:** Revised budget to be included

A tentative itemised budget for components 2, 3 and 5 is provided in Annex 18.

In the GoN Federal budget (the 'red book'), the forecasted NUGIP expenditures against the IDA credit will be shown as two separate line items. Funds for Component-1 will be shown as conditional grants, in the Provincial and Local Grants Red Book. This is a separate budget document, managed by MoF/Fiscal Federalism Coordination Division in coordination with the concerned line ministries, in this case MoUD. Funds for Components 2 to 4 combined will be shown in the main budget document under the heading of the MoUD.

## 1.7 Flow of funds

All project expenditure will be pre-financed by the Government of Nepal following its own rules and regulations. Based on **trimestral** Statements of Expenditures (SoEs) the World Bank will authorise a release for reimbursement from the loan account for the total sum of deemed eligible expenditures as per the SoE.

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Eligible expenditure in this context means that:

- The municipality for which expenditure is claimed has met the Grant Access conditions (further detailed in paragraph 2.3 below);
- Technical specifications are adhered to during implementation;
- World Bank procurement rules have been applied for claimed expenditure; and
- Timely submission of Physical and Financial Progress reports from the municipalities to the Ministry as well as from the Ministry to the World Bank.



## 1.8 The Project's Planning and Budget Calendar

The project is expected to start in the first **trimester** of FY 2020/21 and be operational for a period of five financial years, from mid-2020 to mid-2025 (with an official project closing date of 15<sup>th</sup> of July 2025).

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For most of the participating municipalities the remainder of FY 20/21 are for project identification, sub-project designing and other preparatory activities, including stakeholder engagement and consultations on subproject identification. The three Financial Years thereafter (July 2022 to July 2025), and that coincides with the three-year municipal investment plan to be prepared by each municipality, are reserved for implementation of the planned infrastructure works. Procurement, which can only be done once detailed designs and related costings are available, is expected to take place in the first **trimester** of FY 2022/23 (See Table 1.5). The LIPW component will have an early start (July 2021) and expected end by July 2024.

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Table 1.5: NUGIP overall calendar and timeline (except for component 3)		
FY	Period	Type of activities
FY 20/21	1 <sup>st</sup> trimester	World Bank Board Approval + formalities
	16 Nov 20 - 15 Jul 21	Start-up & project identification
FY 21/22	16 Jul 21 - 15 Jul 22	Project design and preparation
FY 22/23	16 Jul 22 - 15 Jul 23	Procurement & start of project implementation
FY 23/24	16 Jul 23 - 15 Jul 24	Project implementation
FY 24/25	16 Jul 24 - 15 Jul 25	Project implementation
FY 25/26	16 Jul 25 - 15 Nov 25	Winding up
	16 Nov 25 - 30 Jul 26	Project closing

Comment [JIP5]: Please review this timeline carefully

**Pokhara an exception to the above timeline:** For the identified sub-project investment in Pokhara, for which a Detailed Project Report (DPR) was prepared during the project preparation phase, and potentially for one or more of the three other municipalities for which sub-projects were identified as part of the activities during the project preparation phase, activities could be two (for Pokhara) or one year (for the other three) ahead of the above schedule. The crucial factor is whether DPRs with tentative costings are available in time to be included in the federal budget for next financial year, a requirement for municipalities to be able to start procurement and implementation.

In general, this PIM and the time-lines provides therein, has been written for those Municipalities that are to start the project cycle after approval of the project. Events as described maybe one or two years earlier for those Municipalities that were part of the project preparation phase - and in a way, started the process ahead of project approval.

**Use of Nepali fiscal years:** The provisions in the PIM are, as much as possible, based on the Nepali Fiscal year, running from around July 16<sup>th</sup> to July 15<sup>th</sup> the following year. The Fiscal years are sub divided in three quadrimesters (periods of 4 months), ~~in Nepal also referred to as trimesters. In this PIM the word 'trimester' is used to mean a period of 4 months from,~~ roughly, July 16 to November 15; ~~from~~ November 16 to March 15 and ~~from~~ March 15 to July 15. [Let us avoid using word 'trimester']

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## 2. C1: The Urban Infrastructure Development Grant (UDG)

### 2.1 Background

In Nepal, traditionally, public sector capital investments (for example, ~~amongst others,~~ education, health, water, ~~but also~~ roads) have been linked to and managed by ~~so-called~~ user committees. ~~Planning Decision for these investments was also done at the community level,~~ resulting in relatively small and often disconnected investments, that were considered rather inefficient (high transaction costs) and having limited impact. But more importantly, embedding the planning mainly at the community level leaves the much-needed larger scale investments unaddressed.

By providing a sizable conditional, multi annual, sector development grant for urban infrastructure, NUGIP seeks to incentivise participating municipalities to address the issues of strategic city wide capital investments, planning for which is done at the municipal level; and, subsequently, the municipal administration overseeing the implementation under the supervision of the Mayor, the executive board and the elected municipal assembly.

Implementation of the selected projects will help to put in place and/or upgrade greatly needed urban infrastructure. At the same time, the realisation of the infrastructure will allow the municipalities to learn on-the-job how to procure and manage contractors for project design, construction works and supervision. For most, if not all, of the newly established municipalities this will be the first time to execute themselves major infrastructure projects.

### 2.2 UDG envelope and allocations for each participating municipality

Under the IDA credit, NPR ~~456,000~~ 132,000 lakhs ~~[better to write 13.2 Arba]~~ (equivalent of USD ~~110~~ [Is it not 115?] million with the ~~present~~ exchange rate of 120) is set aside, for the period of 5 years (FY 20/21 - FY 24/25), for the Urban Development Grant. ~~In addition to this, the MUNICIPALITYs are expected to contribute 10 percent of the costs of the selected projects from their own resources, which raises the total budget for urban infrastructure development to NPR 473,300 145,200 lakhs (equivalent of USD 144,44 million at the given exchange rate). [Delete this line]~~

The total IDA amount of ~~USD 1105~~ million will be allocated across the 17 eligible urban municipalities on the basis of a formula that has four elements: a fixed share of the total envelope and three variables being (i) population ~~(50% weightage)~~, (ii) land area ~~(10% weightage)~~, (iii) ~~fixed equal amount (30% weightage)~~ and ~~(iiiiv)~~ infrastructure gap index ~~(10% weightage)~~. ~~As such, ten percent of the total envelop will be allocated equally across the 17 municipalities for fixed costs assumed to be equal across all municipalities. Seventy percent is allocated pro-rata the population (data from the last census), whilst another ten percent is allocated pro-rata the land area of the municipalities. The final ten percent is allocated on the basis of the infrastructure gap (weighted for the population). Overall, this formula means that municipalities with a higher population, with larger geographical jurisdictions or a greater backlog in urban infrastructure receive relatively more resources, reflecting the universally applied principle of allocating available resources according to estimated 'expenditure needs'.~~

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Comment [M7]: Final budget?

The 10 percent municipality contribution is to be added to this allocated amount to arrive at the total amount available for strategic city-wide urban investment projects. A summary of the UDG allocation by municipality is provided in table 2.1. A detailed explanation of the calculations, as well as the base-data, are provided in Annex 17.

Even though population is the major determinant for the size of the allocation (75 percent weight), the allocations per capita vary from USD 72 [Check; itahari 60 and Pokhara 53.7] for Itahari and Pokhara (mainly because the fixed share favours the smaller municipalities) to USD 103 [Check] for Triyuga [Dhankutta 111.8 and Putalibazar 102.7], which is ~~mainly also~~ explained by its vast area (the biggest amounts the 17 municipalities) and its relatively low level of infrastructure development. May be better remove this paragraph; it shows irrationality in allocation. MoF wanted equal amount to municipalities irrespective of population and geographic size

The grant represents a substantial increase in the investment budget of the municipalities for larger urban investments. Earlier, city wide investments were usually not considered and remained unfunded because either too big in scope (as funds were allocated to the ward level projects) or covering several years of implementation (hence not fitting an annual planning and budgeting cycle). The NUGIP infrastructure grant specifically targets this larger scale urban infrastructure that may take several years to complete. [Change the table as per PAD/Negotiation]

**Table 2.1: Total UDG allocations in NPR, by Municipality, in USD (rounded), period 2021-2025**

	Population	IDA share		MUNICIPALITY share (10%)	Total UDG budget 2021-2025
		Total for 5 yrs	Per capita		
1. Baglung	59,270	5,051,000	85.2	561,000	5,612,000
2. Birtamod	82,592	6,466,000	78.3	718,000	7,184,000
3. Byas	71,051	6,554,000	92.2	728,000	7,282,000
4. Damak	75,743	6,071,000	80.2	675,000	6,746,000
5. Dhankuta	38,629	3,789,000	98.1	421,000	4,210,000
6. Itahari	143,786	10,372,000	72.1	1,152,000	11,524,000
7. Mechinagar	112,997	9,082,000	80.4	1,009,000	10,091,000
8. Pokhara	413,934	29,812,000	72.0	3,312,000	33,124,000
9. Putalibazar	45,510	4,409,000	96.9	490,000	4,899,000
10. Rajbiraj	68,899	5,621,000	81.6	625,000	6,246,000
11. Ramgram	59,828	5,307,000	88.7	590,000	5,897,000
12. Shuklagandaki	49,611	4,760,000	95.9	529,000	5,289,000
13. Sundarharaicha	80,621	6,465,000	80.2	718,000	7,183,000
14. Tansen	52,538	4,692,000	89.3	521,000	5,213,000
15. Tilottama	100,438	7,706,000	76.7	856,000	8,562,000
16. Triyuga	88,967	9,187,000	103.3	1,021,000	10,208,000
17. Urlabari	54,696	4,656,000	85.1	517,000	5,173,000
<b>Total</b>	<b>1,599,110</b>	<b>130,000,000</b>	<b>81.3</b>	<b>14,443,000</b>	<b>144,443,000</b>

[As per PAD]

Municipality	Population	Total allocation (US\$)	Per Capita (US\$)
Baglung	57,823	4,954,218	85.67902
Birtamod	81,878	5,922,369	72.331628
Byas	70,335	6,156,294	87.528172

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<a href="#">Damak</a>	<a href="#">75,102</a>	<a href="#">5,669,797</a>	<a href="#">75.494621</a>
<a href="#">Dhankuta</a>	<a href="#">36,619</a>	<a href="#">4,092,614</a>	<a href="#">111.76204</a>
<a href="#">Itahari</a>	<a href="#">140,517</a>	<a href="#">8,436,151</a>	<a href="#">60.036515</a>
<a href="#">Mechinagar</a>	<a href="#">111,737</a>	<a href="#">7,801,182</a>	<a href="#">69.817357</a>
<a href="#">Pokhara</a>	<a href="#">402,995</a>	<a href="#">21,634,673</a>	<a href="#">53.684718</a>
<a href="#">Putalibazar</a>	<a href="#">44,876</a>	<a href="#">4,608,577</a>	<a href="#">102.69581</a>
<a href="#">Rajbiraj</a>	<a href="#">68,396</a>	<a href="#">5,371,087</a>	<a href="#">78.529256</a>
<a href="#">Ramgram</a>	<a href="#">56,845</a>	<a href="#">5,104,150</a>	<a href="#">89.790659</a>
<a href="#">Shuklagandaki</a>	<a href="#">48,456</a>	<a href="#">4,840,230</a>	<a href="#">99.889178</a>
<a href="#">Sundarharaicha</a>	<a href="#">80,518</a>	<a href="#">5,974,235</a>	<a href="#">74.197509</a>
<a href="#">Tansen</a>	<a href="#">50,405</a>	<a href="#">4,698,056</a>	<a href="#">93.20615</a>
<a href="#">Tilottama</a>	<a href="#">100,149</a>	<a href="#">6,793,415</a>	<a href="#">67.833079</a>
<a href="#">Triyuga</a>	<a href="#">87,557</a>	<a href="#">8,212,486</a>	<a href="#">93.795882</a>
<a href="#">Urlabari</a>	<a href="#">54,696</a>	<a href="#">4,730,466</a>	<a href="#">86.486507</a>
<b>Total</b>	<b>1,568,904</b>	<b>115,000,000</b>	<b>73.299577</b>

Within the overall allocation by municipality, the IDA-UDG will be released on a **trimestral** basis, over a period of a maximum of 5 years, based on annual and **trimestral** cash-flow estimates linked to contractual obligations. These estimates are to be provided by the participating municipalities to DUDBC in a timely manner (see section 2.11 and notably Table 2.8 for more details).

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### 2.3 Grant Participation Agreement and Grant Access Criteria (GAC)

In order to become eligible to benefit the Urban Development Grant, the Municipality should, as a first condition, have signed the Participation Agreement as presented in Annex 1 with MoUD/DUDBC.

Any selected municipality that wishes to receive support under NUGIP, UDG or the capacity development support, must have signed the project participation agreement, which is a legal requirement.

Likewise, selected municipalities will have to sign LIPW participations agreement to receive the benefits of the grant.

Once signed, and unless revoked, this criterion is a one-off action and remains valid for the entire duration of the project.

In addition, for the UDG grants to be released to the municipality, the municipality must have met the applicable *Grant Access Criteria* (GACs), that will be assessed annually, prior to finalisation of the GoN budget.

The Grant Access Criteria reflect basic aspects of good governance and sound financial management, and are meant to provide a guarantee that the recipient municipality is capable of spending the UDG funds in accordance with the project requirements, including notably procurement, accounting, reporting, and application of the safeguard instruments. The four GACs are presented in Table 2.2 below.

**Table 2.2: Four Minimum Grant Access Conditions (GACs)**

GAC topic	Description
-----------	-------------

1. Investment selection process	<ul style="list-style-type: none"> <li>▪ The Municipality must have followed a process of project identification as described above and summarized in Table 2.4; Notably, project identification must be: <ul style="list-style-type: none"> <li>○ based on a needs gap analysis / strong justification</li> <li>○ endorsed by citizens during consultations</li> <li>○ be technically sound and have a solid justification</li> <li>○ be compliant with the list of eligible activities</li> <li>○ meet the ESMF criteria; and</li> <li>○ be included in the 3-year urban infrastructure development plan See section 2.6</li> </ul> </li> </ul>
2. Procurement/Contract management	<ul style="list-style-type: none"> <li>▪ Continued municipality compliance with the World Bank's procurement <a href="#">regulation for IPF borrowers, and contract management framework (STEP)</a>—See section 2.13</li> </ul>
3. Environment and Social Safeguards	<ul style="list-style-type: none"> <li>▪ Continued compliance with the ESMP and other relevant safeguard documents such as RAP and/or VCDP, with regards to implementation of identified mitigating measures (if any) See section 2.8</li> </ul>
4. Transparent financial management and timely reporting	<ul style="list-style-type: none"> <li>▪ All Physical and Financial progress reports submitted within one month after the end of each <b>trimester</b> in the formats as described in this PIM (see section 2.15)</li> </ul>

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The first GAC checks if the proposed investment(s) fulfil an urgent need and are seen as a priority by the citizens. The criterion coincides with successful completion of the investment planning and budgeting process as described in para 2.6 below. This GAC is particularly relevant for FY-3, that is the first year of investments under the project, because, as for the participation agreement, once fulfilled, the condition is considered as 'met' for the duration of the project. It means that once the DPR(s) are approved, the municipality is deemed to have properly followed the project selection process.

The other three GACs verify that the municipality follows the set guidelines for procurement, safeguard instruments and regular (trimestral) reporting, both on physical and financial progress. These GACs stay relevant for the duration of the project (from year-3 onwards) and will need to be met as long as the investments are not finalised.

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For any particular year, all applicable GACs must be met and failure to meet any (one or more) will lead to non-inclusion of any amount for the concerned municipality in the upcoming year's budget, which will delay project completion. This is likely to create frustration among the project beneficiaries for the investment project, given that this can considerably delay the project. Hence, it is expected that there will be pressure on the municipality-management to comply with the all applicable GACs at all times.

## 2.4 GAC assessment process

The annual assessment of the GACs will be conducted by the dedicated NUGIP team in MoUD, using the checklist as provided in Annex 19. The NUGIP Project Management Support Team (PMST; see section 5.2.2) will assist the ministry in carrying out the exercise.

The assessment will be conducted in February of each year and assess the municipality performance in the previous calendar year. For GAC-4 on reporting, it

will consider the reports for the three trimesters up to the reporting for the first trimester of the ongoing financial year.

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The assessment will start with a review of documented evidence, but will also include site visits and spot checks, notably for GAC 3 (i.e. for those municipalities that have an ESMP prepared) and to a lesser extend GAC-2. During the assessment, municipalities may be requested to provide additional information, whereby failure to provide such information in a timely manner may lead to a notation of not having met the GACs.

The site visits and spot checks are expected to last a maximum of 2 days per municipality. ~~Two teams of 3 persons each will be formed, one for the eastern zone and one for the western zone such that the assignment can be completed in 3 weeks. Each~~ team will be composed of one DUDBC staff, one member from the NUGIP/PMST (See Ch 5) and if possible a representative from either MoF, MoFAGA, a line ministry or the concerned provincial government. ~~[Many a times MoF express willingness to visit but finds difficulty in managing synchronised time]~~

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In order to ensure homogeneity, integrity and transparency in the process, a template has been developed (as provided in Annex 19) that will need to be filled for all participating municipalities, to be signed off by the NUGIP project director. A summary of the results for all 17 Municipalities is to be signed off by the Director of DUDBC prior to sharing with the participating municipalities, who have one week to appeal for factual errors.

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After this, the results will be published on the Ministry/NUGIP website ([www.moud/nugip.gov.np](http://www.moud/nugip.gov.np)), together with a short report in the form of a cover letter, signed by the Secretary of MoUD stating which municipalities have qualified for next year's UDG releases. If any municipality is to be disqualified, then the PSC will decide.

**Comment [JIP11]:** Please update this link...

**Table 2.3: Annual assessment cycle UDG - Grant Access Conditions**

When	Actions by MoUD/DUDBC	Actions by MUNICIPALITYs
February Yr-n	1. Conduct the assessment using the checklist as provided in Annex 19	<ul style="list-style-type: none"> <li>Provide additional information if and when requested, within a period of 1 week</li> </ul>
By Mid-March	2. DUDBC shares the provisional results with the municipalities	<ul style="list-style-type: none"> <li>Municipalities have the right to appeal to the DUDBC in case of factual mistakes.</li> <li>Municipalities submit UDG cashflow estimates for next FY by 31/3/n latest</li> </ul>
First week of April	3. MoUD issues list of tentative UDG allocations for next FY (based on the GAC results and the UDG budget estimates for next FY as presented by the MUNICIPALITYs	<ul style="list-style-type: none"> <li>Municipalities plan and budget accordingly</li> </ul>

For the Municipalities that start project preparation in late 2020, the first two assessments (in February 2021 and February 2022) will be of limited scope. In fact, the assessment of 2021 will only assess if the Grant Participation Agreement was signed and on the basis of this the Municipality may budget for recruitment of the Design and Supervision Support Team (DSST; see para 2.7 below) in the subsequent financial year. For the assessment in February 2022, only the participation agreement and GAC-1 (project selection process) will be assessed. The other three GACs (i.e. GAC 2, 3 and 4) will only be assessed once implementation has started i.e.

from the February 23 assessment onwards, informing the allocation for FY 2024/25 onwards.

For Pokhara, and the other three municipalities that were part of the preparatory phase, a first 'real' assessment of all 4 GACs may take place one year earlier (February 22), provided they have approved DPRs in place (i.e. completed the 8<sup>th</sup> steps as described in table 2.4) by February 2021, so they start implementing in FY 21/22).

## 2.5 Menu of eligible infrastructure projects under the UDG

The Urban Development Grant (UDG) can, in principle, be used for all strategic urban infrastructure that is identified as an absolute priority through a proper participatory and inclusive consultation process and provided that the investment project is economically justifiable and sound from also considering the a social and environmental perspective cost and benefits. A structured inclusive consultation process will be followed to identify sub-projects, leveraging existing municipal forums to ensure the participation of municipal stakeholder groups.

However, certain limitations in the choice of sub projects apply. Table 2.4 below provides examples of eligible sub sectors and sub-projects. Table 2.5 provides a negative list of non-eligible projects and expenditures under the UDG, hence activities that are explicitly disallowed.

In case of doubt whether an activity is eligible, the municipality is advised to contact the NUGIP unit in the DUDBC/MoUD for advice (see contact details on inside cover page).

Table 2.4: UDG Eligible sectors and projects (indicative)	
Eligible sectors / sub projects (examples)	
Sectors	Examples of possible sub projects
Municipal roads and related drainage rehabilitation	<ul style="list-style-type: none"> <li>Rehabilitation and/or expansion of existing municipal roads that are strategic with respect to city's overall transportation system</li> <li>With footpaths, cycle tracks, energy efficient streetlights, etc. as required</li> <li>Rehabilitation and/or upgradation of existing drains and cross drainage structures along these identified strategic municipal road projects</li> </ul>
Water supply	<ul style="list-style-type: none"> <li>Rehabilitation of existing defunct and/or underperforming drinkable water supply systems</li> <li>This may include service reservoirs, treatment plants, transmission and distribution networks and household connections.</li> </ul>
On site sanitation / waste-water management	<ul style="list-style-type: none"> <li>Rehabilitation or up-gradation of waste-water management systems, comprising of piped sewer network and sewage treatment plant(s), for core areas in cities.</li> <li>Rehabilitation or up-gradation of septage management systems, comprising of (vehicle based) septage collection systems and septage treatment plants for peri-urban areas/areas with poor water supply to support network-based systems.</li> </ul>
Other Municipal Infrastructure	<ul style="list-style-type: none"> <li>Multi-level storey parking complexes</li> <li>Commercial centers cum market development</li> <li>(inter-city) bus-terminals</li> </ul>
Investment service costs	<ul style="list-style-type: none"> <li>Max 10% of total amount for               <ul style="list-style-type: none"> <li>Design engineering work and Supervision engineers (DSS Teams)</li> <li>Movable assets, office equipment and consumables directly related to the project(s)</li> </ul> </li> </ul>

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**Table 2.5: UDG Non eligible (disallowed) activities and items**

<ul style="list-style-type: none"> <li>• New drainage, water supply or on-site sanitation systems</li> <li>• Rehabilitation of drainage, water supply and on-site sanitation systems that would adversely impact the quality or quantity of <b>international waterways</b></li> <li>• Fire and disaster <b>management (excluding mitigation and adaptation)</b></li> <li>• Police stations</li> <li>• Educational facilities of any kind</li> <li>• Health facilities of any kind</li> <li>• Agriculture/livestock/ fisheries/ <b>forestry facilities</b><del>[should be removed]</del> and/or inputs</li> <li>• Recurrent expenditure such as salaries, utilities, consumables</li> <li>• Generic means of transport (Vehicles, M/cycles)</li> <li>• Training and/or education</li> <li>• Any other activity on the ESMF negative list</li> </ul>
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**Note:** The list of non-eligible projects is also provided in the Environmental and Social Management Framework (ESMF) developed for NUGIP (See Volume II, Annex 10, Appendix K).

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## 2.6 Planning and budgeting for use of the grant

At the beginning of the project, the participating Municipalities will prepare (or update) the 3-year rolling city-wide urban infrastructure development plan, with the participation of stakeholders, that reflects plans for use of the UDG as well as other fiscal resources for capital investments, such as federal government transfers and own source revenues. A template for such a plan is provided in Annex 9.

Planning for the UDG, as per the amounts presented in Table 2.1 above, is done once for the 5-year NUGIP period. Year-1, FY 2020/21, is for project identification. Year-2 is for completing the detailed designs and costings to be reflected in a detailed project report (DPR; see Annex 12). Thereafter, there are a maximum of 3 years to procure the contractor and complete the projects. ~~Most of the projects are expected to have a size that construction works will span over more than one (1) fiscal year.~~

Implementation of different projects as funded by the IDA loan may be phased over the period, but all identified projects are due to be completed by the end of year-5.

Table 2.6 shows the different steps in the municipality project planning and implementation cycle for the UDG grant.

**Table 2.6: Municipality Project Preparation Cycle (Nov 2020 to April 2022) - activities by municipalities**

Step	Narrative of the activities to be undertaken
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Step	Narrative of the activities to be undertaken
2 <sup>nd</sup> Trimester FY 2020/21	<p>1. Identification of project ideas with citizen engagement</p> <ul style="list-style-type: none"> <li>Typically, the size of the city wide strategicUDG projects goes beyond the scale of projects that are identified in a participatory manner; Yet, it is crucial that citizens and other municipal stakeholders are <i>consulted</i> during the initial stages of project identification (prior to the Municipal executive or Council taking any decisions).</li> <li>The project identification process hence starts with a series of stakeholder information and consultation meetings, informing the public about the project and taking their initial ideas.</li> <li>Municipal forums are proposed as the primary mechanism for stakeholder engagement to ensure that the infrastructure sub-projects identified reflect local needs and priorities.</li> <li>A range of city wide stakeholders (private sectorrepresentatives, business organizations, citizen representatives and the population at large) should be invited for these meetings.</li> </ul>
3 <sup>rd</sup> Trimester 2020/21	<p>2. Technical Prioritization of identified projects</p> <ul style="list-style-type: none"> <li>Based on views expressed (by citizens, other stakeholders, municipal staff and councilors), the MUNICIPALITY planning and infrastructure sections make an initial prioritization of potentially feasible project ideas.</li> <li>For this listing the MUNICIPALITYwill make use of the Investment Screening Guidelines as provided in Annex 8</li> <li>The MUNICIPALITY should notably make sure that (i) identified projects fall into the category of eligible expenditure, and (ii) that it does not involve large scale resettlement or (iii) severe environmental safeguard risks.</li> <li>In order to avoid fragmentation, each tentative project should have a budget size of at least USD 1.0 million.</li> <li>The first tentative list to be shared <ul style="list-style-type: none"> <li>with the Council for information and their input.</li> <li>with municipal stakeholders and citizens for information</li> </ul> </li> </ul> <p>3. Prioritization of projects by the Municipal Executive Committee</p> <ul style="list-style-type: none"> <li>Taking into account (i) the technical prioritization and (ii) feedback from the Assembly, the Municipal executive decides on an initial prioritization and sequencing.</li> </ul> <p>4. Municipal Investment forum</p> <ul style="list-style-type: none"> <li>A public meeting is organized, chaired by the Mayor, to present the identified project priorities to the citizens and other municipal stakeholders for their views and endorsement</li> <li>Citizens and other municipal stakeholders to be informed of the time and location of the municipal forummeeting at least <del>two weeks</del>three daysin advance</li> </ul>
Mid- Jul - Aug 2021	<p>5. Project Screening against the Environmental and Social Management Framework (ESMF)</p> <ul style="list-style-type: none"> <li>Screening of the sub-projects against the ESMF, by the MUNICIPALITY with assistance of the DSST and the UDST is a crucial part of the appraisal process. The screening will result in proceeding with the preparation of sub-projects that pass the ES screening criteria.</li> <li>Screening will include consultations with stakeholders such as citizens, community-based user groups, and local NGOs, to understand potential environmental and social risks and impacts arising from the sub-project. In particular, consultations will be undertaken with vulnerable groups such as indigenous groups, women and disabled groups.</li> <li>The sub-projects require a E&amp;S risk assessment according to the ESMF. The preparation of a subproject-ESMP will include incorporating mitigating measures in the sub-project design (but could in exceptional cases also lead to the sub-project being rejected).</li> <li>The formal screening is to be reported as part of the 3-year urban infrastructure development plan (step 6)</li> </ul>

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	Step	Narrative of the activities to be undertaken
1 <sup>st</sup> trimester FY 2021/22	6. Preparation of a 3-year urban infrastructure development plan (with UDG and other funding)	<ul style="list-style-type: none"> <li>Following the Municipal Investment forum (step 4. above), the municipality planning section, in collaboration with the municipality infrastructure section, will prepare a 3-year urban infrastructure development cum investment plan (see template in Annex 9). The plan must: <ul style="list-style-type: none"> <li>be approved by the Municipal council; and</li> <li>ideally, but not mandatory, obtain a 'no objection' from MoUD/DUDBC, in order to avoid rejection on the basis of process flaws or project non-eligibility down the line.</li> </ul> </li> <li>All projects to be UDG-financed must be included in the 3-year plan</li> </ul>
Nov 21 -Feb 2022	7. Investment planning and appraisal (including detailed design, safeguard document preparation and costing)	<p>Once the above steps are completed</p> <ul style="list-style-type: none"> <li>The Municipality will engage the Design and Supervision Support Team (DSST), under the guidance and supervision of the infrastructure section (with the support of the UDST), in the preparation of the Detailed Project Report.</li> <li>This to include an economic and financial feasibility analysis [In the grant projects, it is not required]</li> <li>In conjunction with DPRs, also an Environmental and Social Impact Assessment (ESIA) and Environmental and Social Management Plan (ESMP) will be developed, along with further safeguard documents as determined required, including Resettlement Action Plans (RAPs) and Vulnerable Community Development Plans (VCDPs).</li> <li>Stakeholders will be involved in the development of safeguard documents to ensure that all environmental and social risks and impacts are effectively identified and mitigated.</li> </ul>
Feb - Mar 22	8. Final project approvals	<p>The final design and cost estimate (the DPR) is</p> <ul style="list-style-type: none"> <li>to be approved by the Municipal Executive &amp; Assembly</li> <li>to be endorsed by MoUD/DUDBC</li> <li>to obtain a no objection from World Bank (thru DUDBC)</li> <li>to be disseminated to citizens and other stakeholders</li> </ul>

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All steps in Table 2.6 above are to be well documented, by the municipalities. A report for steps 1-5 must be included in the three-year infrastructure development plan (See Annex 9 for its template).

The final design and costing estimates, presented in the form of a Detailed Project Report (see Annex 12 for a template), and which is the basis for the approval processes in step-8, must include the results of the E&S risk assessment and the Environmental and Social Management Plans (ESMP) as relevant. The DPR must also include the results of the economic and financial feasibility analysis - which is part of the investment appraisal under step-7 in the above.

## 2.7 Hiring of Design and Supervision Support teams (DSSTs)

A maximum of 10% (and an estimated minimum of at least 6%) of the total IDA allocated UDG budget should be set aside and used for investment servicing costs, which are costs that have to be made to realise the investment.

It includes, first and foremost the hiring -by each municipality- of a Design and Supervision Support Team (DSST) that comprises both design engineers as well as supervision engineers, that will, on behalf and under guidance of the municipality, design and oversee implementation of the work done by the construction company.

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It may also cover any other unavoidable costs directly related to the investment(s), which could include office ~~stationaries~~<sup>stationeries</sup>, some furniture as well as a small budget for project monitoring and supervision - that is keeping an eye on the work of the DSST.

The DSSTs work for and are solely answerable and accountable to the respective municipality that has recruited them. The Urban Development Support Teams (under Component 2; see next chapter) will assist the municipalities in procuring and managing these Design and Supervision Support Teams.

A template of the Terms of Reference for the DSSTs is provided in Annex 5 and a template tender document for the same is provided in Annex 13.

For FY 2021/22, Municipalities may budget a maximum of 3.0% of the IDA UDG grant for investment servicing costs notably the recruitment of the DSSTs for detailed design work. The proposed budget should be based on a realistic estimate of the actual investment servicing costs. The amount will be released on the condition that the municipality has signed the Grant Participation Agreement as presented in Annex 1.

## 2.8 Sub-project screening against the ESMF

An Environmental and Social Management Framework (ESMF) is an instrument to assist in the screening, identification, and assessment of environmental and social risks in projects, in line with the environmental and social requirements of both the government and the World Bank, during sub-project design, implementation and operation phases. Also for NUGIP and its sub projects, such an ESMF has been prepared (See Volume II, Annex 10).

In conjunction with the preparation of the 3-year rolling urban investment plan has been approved (Step-6 in Table 2.6 above), the DSS-Team is to assist the MUNICIPALITY in undertaking a screening of the proposed projects against the ESMF following the guidelines provided in Appendix C of the ESMF.

The screening will result in prioritizing only eligible subprojects to proceed with project preparation. The screening may result in the preparation of a sub-project specific Environmental and Social Impact Assessment (ESIA) that will include the required mitigation actions and a will be done by the proponents in accordance with the ESMF and an Environmental and Social Management Plan (ESMP), which may include a Resettlement Action Plan (RAP). The costs of implementing the ESMP and the RAP are to be included in the project costs and all affected persons need to be compensated, and the RAP completed (to the satisfaction of the World Bank, which means a 'no- objections to proceed' is required) prior to project implementation. A template for an ESIA (that includes the ESMP) is provided within the ESMF (in Annex 10).

Contractors' Environmental and Social responsibilities during construction will be included in the bidding documents and contracts, and these will need to be strictly enforced (by the municipality with assistance of the DSST). The Contractor's E&S responsibilities will be prepared before the start of the bidding process.

All bidding documents and contracts will need to include the preparation and implementation of a site-specific ESMP and the obligation for the contractors and sub-contractors to adopt and enforce the ESMP and a Code of conduct that should be provided to and signed by ~~all workers~~<sup>individual workers?</sup> of the UDG funded civil works contracts; It should also include measures to assess and manage the risks and negative impacts of labour influx and workers' camps.

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Municipalities will report on the implementation of the ESMP(s) and on the status of compliance with the safeguard instruments on a regular basis as part of the **trimestral** progress reports (to the DUDBC). Information shall include: (i) measures taken in furtherance of the safeguards instruments; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the safeguards instruments; (iii) any feedback under the Grievance Redress Mechanism (GRM) of the ESMF, and (iv) remedial measures taken or required to be taken to address such conditions.

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## 2.9 Investment sub-project detailed design and preparation

After the ESMF screening (Step-5 in Table 2.6 above) and the preparation of the 3-year municipal investment plan (Step 6), the DSS-Team will assist the municipality to prepare the detailed design, drawings and cost estimates in the form of a Detailed Project Report (DPR). Work will include a feasibility assessment.

For the design work, the DSST will be guided by the technical notes in Annex 11 and the template for a Detailed Project Report as provided in Annex 12.

### Textbox 2.1 : Environmental and Social safeguards document preparation

In conjunction with the development of DPRs, various safeguard documents to address subproject environmental and social risks and impacts will be prepared, determined based on risks and impacts identified during subproject screening.

An Environmental & Social Impact Assessment (ESIA) for the sub-project to identify potential environmental and social risks and impacts will be undertaken, and an Environmental Social Management Plan (ESMP) will be prepared, outlining mitigation measures for identified risks and impacts for the subproject. A template for an ESIA and ESMP is provided in Appendix C of the ESMF.

Importantly, development of the ESIA requires consultations with stakeholders to understand possible environmental and social risks and impacts to stakeholders including community members. Where possible, consultations should draw on mechanisms existing at the local level such as municipality forums and community-based user committees to strengthen these mechanisms. The ESMF includes a framework for conducting stakeholder engagement and consultations.

Further, all subprojects are required to manage a grievance redress mechanism (GRM) to enable subproject stakeholders to raise and questions, concerns or grievances. The GRM should draw on existing GRMs, or should support the municipality in developing a GRM where these do not exist.

The ESMF also notes the requirements for municipalities to develop citizen engagement plans, to support more participatory and accountable systems in local governments.

Further, the ESMF includes a Resettlement Policy Framework (RPF), and Vulnerable Community Development Framework (VCDF), and a Gender-Based Violence (GBV) Action Plan to guide the development of subproject safeguard documents. Where resettlement impacts are expected, Resettlement Action Plan (RAP) will be prepared, in line with World Bank Operational Policy (OP) 4.12 on Involuntary Resettlement and following guidance provided in the RPF. The costs of implementing the RAP are to be included in the subproject costs and all affected persons need to be compensated. The activities outlined in the RAP completed prior to project implementation (to the satisfaction of the World Bank, which means a 'no- objections to proceed' is required).

The VCDF provides guidelines to municipalities to address the needs of vulnerable communities, including indigenous groups, and the procedures for assessing impacts, and for preparing subprojects. A Vulnerable Community Development Plan (VCDP) for subprojects is prepared based on the findings of the ESIA, following guidance provided in the VCDF. The VCDP will include consultations with vulnerable groups, in line with World Bank OP 4.10 on Indigenous Peoples.

Separately, the GBV Action Plan included in the ESMF provides guidance on managing GBV risks, mitigation measures, and undertaking stakeholder consultations and addressing grievances through the GRM.

All bidding documents and contracts, equally to be prepared by the municipality with assistance of the

DSST, should include the obligation for the contractors and sub-contractors to adopt and enforce a Code of Conduct that should be provided to and signed by all workers of the UDG funded civil works contracts; and equally to implement measures to assess and manage the risks and negative impacts of labour influx and workers' camps.

Municipalities will report on the implementation of the ESMP(s) and on the status of compliance with the safeguard instruments on a regular basis as part of the **trimestral progress reports** (to the DUDBC). Information shall include: (i) measures taken in furtherance of the safeguards instruments; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the safeguards instruments; and (iii) remedial measures taken or required to be taken to address such conditions.

The municipality is, however, under the obligation to promptly report to the DUDBC in a separate ad-hoc report whenever the circumstances with regards to the safeguard-instruments so warrant.e.g. in case of accidents at the construction site.

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## 2.10 Project implementation

Once funds for the investments are secured (i.e. when the applicable GACs are met and the amounts announced) the preparation for the actual implementation can start. Actual implementation timelines will depend on the type of the investments, and the scheduling of the works by the municipalities, but for all municipalities that start project preparation in late 2020, the procurement of the construction engineers would at the earliest start in April 2022 and actual implementation when a budget is available which is July 2022 onwards (see Table 2.7).

For the implementation, municipalities must implement the project as per the approved DPR, and in compliance with minimum technical standards agreed in the technical guidance notes, and adhering to measures outlined in the subproject safeguard documents including contractor codes of conduct, failing which investments will be rendered ineligible for reimbursement from the IDA loan. Compliance will be checked during the annual GAC assessment, but the DUDBC/MoUD may also take up the role of due diligence and spot checks, with support of the PMST.

**Table 2.7: UDG Project implementation - Activity timeline - Activities by municipalities**

When	Activity	Narrative of the activities to be undertaken
April 2022 onwards	1. Procurement of construction firm(s)	<ul style="list-style-type: none"> <li>Procurement by the municipality               <ul style="list-style-type: none"> <li>Prepare bidding documents (with assistance from DSST)</li> <li>Assessment of the bids by the municipality and DSST</li> <li>Contract award by municipality (with payment schedules)</li> </ul> </li> <li>Procurement is to follow the World Bank procurement Framework (see section 2.13)</li> </ul>
July 2022 onwards	2. Supervision of the ongoing construction works	<ul style="list-style-type: none"> <li>For supervision of the construction firm(s), the Municipality will rely on their Design and Supervision Support Team who are recruited to act as supervision engineer on their behalf for each UDG funded project</li> </ul>
	3. Payments to : <ul style="list-style-type: none"> <li>Building contractor(s)</li> <li>DSST contractor</li> </ul>	<ul style="list-style-type: none"> <li>Based on statements by the supervision engineer(s), to be validated by the municipality infrastructure section and the executive, the municipality is to process payments to the construction firm(s) as per the contract(s)</li> <li>Based on <b>trimestral</b> reports, to be validated by the municipality planning section and the <b>executive</b> (with assistance from the UDST), the municipality is to process payments to the supervision engineer(s) i.e. DSST contractor, as per the contract.</li> <li><b>All payments need prior endorsement by MoUD/DUDBC as per the World Bank Contract Management guidelines</b></li> </ul>

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When	Activity	Narrative of the activities to be undertaken
	4. Reporting	<ul style="list-style-type: none"> <li>Following the Government of Nepal trimestral Quadrimestral system, throughout the project cycle, municipalities report thrice a year, within one month after the end of the trimester, on physical and financial progress following templates to be provided in this PIM (See Vol II, Annex 23).</li> </ul>

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## 2.11 Fund flow and its management

As expenditure under NUGIP is pre-financed by the Government of Nepal, all UDG funds made available to the municipalities follow the government channels and procedures, and government rules and regulations apply. For NUGIP/UDG expenditure a separate account book (vote) will be opened.

In order for the GoN to be reimbursed for the expenditures made, they should be 'eligible' as per the World Bank rules and regulations, which are outlined in the Financing Agreement and Project Appraisal Document (PAD) and in this PIM.

As long as participating municipalities follow GoN financial rules and regulations and the provisions in this PIM for use of UDG-funds, the expenditures are bound to be eligible.

Table 2.8 below shows the timeline for annual budgeting, which are notably annual cash flow projections within the overall allocated UDG budget, for each municipality. The trimestral releases follow the trimestral physical and financial progress reports.

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Whereas the first trimester release for each FY will be made based on the instructions of MoUD/DUDBC alone (based on reports and cash flow projections), the subsequent 2<sup>nd</sup> and 3<sup>rd</sup> trimester releases may also be subject to the application MoF's GoN-criteria that apply to all transfers to municipalities. This is a consequence of the fact that UDG funds follow GoN rules and regulations, which may change when the financial system based on the federal constitution is further rolled out.

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Table 2.8: UDG annual budgeting, cashflow request and reporting calendar *)		
When	Actions by municipalities	Actions by Federal agencies
<b>FY 2020/21</b>		
April 2021	-	<ul style="list-style-type: none"> <li>DUDBC to ensure that provisions are made in the GoN budget FY 2021/22 for               <ul style="list-style-type: none"> <li>UDG investment budgets for 1 (and max 4) municipalities part of the project</li> <li>Max 3% of UDG allocation for 13 (up to 16) other municipalities, based on actual cost estimate</li> </ul> </li> </ul>
May-June	-	<ul style="list-style-type: none"> <li>DUDBC submits necessary documentation to MoF to enable processing the transfers for next FY</li> </ul>
<b>FY 2021/22</b>		
July / Aug	1. 1-4 municipalities to receive first tranche of UDG funds	<ul style="list-style-type: none"> <li>MoF to make the transfers upon instructions by MoUD/DUDBC</li> </ul>
Late November	2. Beginning of 2 <sup>nd</sup> trimester municipalities receive max 3.0% of their UDG allocation for investment servicing costs (amongst others for recruitment	<ul style="list-style-type: none"> <li>MoF to make the transfers upon instructions by MoUD/DUDBC</li> </ul>

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When	Actions by municipalities	Actions by Federal agencies
	DSST).	
By 15/04/22 latest *)	3. Municipalities to provide annual UDG budget (cashflow) estimates for next 3 FYs (2022/23 to 24/25) to DUDBC 4. Municipalities to provide detailed <b>trimestral</b> cashflow estimates to DUDBC for FY 2022/23	▪ DUDBC to check and consolidate municipality annual cashflow requests and submit to MoF in timely manner, for inclusion in the Federal budget (Red Book) ▪ DUDBC subsequently submits necessary documentation for MoF to be able to start processing the transfers for 1 <sup>st</sup> <b>trimester</b>
<b>Annual Cycle from FY2022/23 onwards (for three or four years if winding up period is included)</b>		
After July 16 <sup>th</sup>	5. Municipalities receive first <b>trimester</b> allocations	▪ -
By Dec 15 <sup>th</sup> latest	6. Municipalities submit 1 <sup>st</sup> <b>trimester</b> report with updated cashflow estimate for 2 <sup>nd</sup> and 3 <sup>rd</sup> <b>trimester</b>	
December / January	7. Municipalities receive second semester allocation	By 15 <sup>th</sup> December, DUDBC to : ○ check & consolidate cash flow estimates ○ submit request for 2 <sup>nd</sup> <b>trimester</b> releases to MoF ▪ MoF to make the transfers
By 15 <sup>th</sup> April latest	8. Municipalities submit 2 <sup>nd</sup> <b>trimester</b> report with updated cashflow estimate for 3 <sup>rd</sup> <b>trimester</b> 9. Municipalities submit cashflow estimates for next FY, by <b>trimester</b>	
April / May	10. Release 3 <sup>rd</sup> <b>trimester</b>	By 15 <sup>th</sup> April DUDBC to: ○ check & consolidate cash flow estimates ○ submit request for 3 <sup>rd</sup> <b>trimester</b> release to MoF ○ submit cashflow plan for next FY to MoF ▪ MoF to make the transfers upon instructions by MoUD/DUDBC
By 15 <sup>th</sup> July	11. Municipalities return and re-program unused balances to the DTCO (federal treasury account) and re-program for the same in consultation with MoF	▪ MoF to make the transfers upon instructions by MoUD/DUDBC

\*) **Note** : For the 4 Municipalities that were part of project preparation, all years as indicated may be minus-1, with step 3 and 4 to be done by 30/3/2021 with trimestral cashflow estimates for FY 2021/22.

In summary (see also Table 2.9) , based on data provided by the municipalities, validated by the DUDBC, the MoUD will submit an annual consolidated budget estimate for the project to MoF through the Line Ministry Budget Information System (LMBIS) and the same will be approved by MoF as part of annual federal budgeting process and published in red book.

Grants for the first trimester will be released as per the budget, but releases for the 2<sup>nd</sup> and 3<sup>rd</sup> **trimester** will depend on actual progress and amounts spent. These two releases will follow MoF procedures as applicable for all transfers to municipalities under the existing disbursement procedures. Funds will be made available directly from MoF to the respective municipalities through the respective District Treasury Comptroller Offices (DTCOs).

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At the end of the fiscal year, any unspent balances will have to be returned by municipalities to the MoF and these amounts will be adjusted in the subsequent allocations based on actual expenditures and upcoming requirements, notably through the **trimestral** cash flow requests. As much as possible, MoF will ensure that municipalities have the required funds to honour contractual obligations and will hence apply flexible provisions for budget reprogramming.

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**Table 2.9 : Summary of UDG Annual Grant cycle and Fund flow to municipalities**



ULL in the above chart, as anywhere else, be replaced by Municipalities.

All participating municipalities will be assessed against GACs on an annual basis by MoUD and those that qualified will be required to develop an annual budget estimate for the capital expenditure requirements under the project based on existing and planned capital works for infrastructure development. The budget should include provision for the investment service costs (notably the DSST).

MoUD will receive annual budget estimates from all qualifying municipalities and review/consolidate to finalize the annual budget estimate for the project. MoUD will submit the annual consolidated budget estimate for the project to MoF through LMBIS and the same will be approved by MoF as part of annual federal budgeting process and published in red book.

Grants will be released directly from MoF to municipalities on a **trimester** basis through DTCCO in alignment with the existing disbursement procedures. At the end of the fiscal year, unspent grant will have to be returned by municipalities to the MoF and will be adjusted in the subsequent annual allocations based on actual expenditure requirements and performance of the municipalities. Detailed steps are presented in the diagram above.

To avoid any cash problems that may cause issues for MUNICIPALITIES to honor their contractual payment obligations, MoF will ensure that MUNICIPALITIES have the required funds to carry out the multi-year investments planned under this project through flexible budget reprogramming provisions.

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## 2.12 UDG Financial Management

As the funds for UDG are pre-financed by GoN, and government systems and procedures are used. This means that the Financial Management of the UDG funds is guided by the provisions of (i) the Local Government Operations Act (2015) and (ii) the Intergovernmental Fiscal Arrangement Act (IFAA, 2017), complemented by the Fiscal Procedures and Financial Accountability Act (FPFA, 2019) as adopted by the respective municipalities.

Municipalities will record the use of the UDG funds in a separate account book. The budget as well as the expenses shall be recorded and reported based on components and activities/categories.

Municipal statements of expenditure are subject to both internal and external audits (see section 2.16 below).

## 2.13 Procurement

For expenditures under the UDG to be eligible and for reimbursement under the IDA loan, procurement must have followed the *World Bank Procurement Regulations for IPF Borrowers*, dated July 2016, revised November 2017 and August 2018. This document is available online and needs to be considered as an Annex to and part of this PIM:

<http://pubdocs.worldbank.org/en/178331533065871195/Procurement-Regulations.pdf>

The rules apply to all procurement under NUGIP for goods, works, non-consulting and consulting services.

At the same time, and as expenditures are pre-financed by GoN, all procurement must also comply with the GoN procurement rules. This means that for each condition, the most stringent of the two sets of regulations applies.

Each municipality will be responsible for: (i) procuring their works contracts and contract management with technical support from Design and Supervision Support Team (DSST); and (ii) contracting DSSTs under the guidance of MoUD/DUDBC and support from the Urban Development Support Teams (UDSTs).

The applicable thresholds for procurement methods are provided in Table 2.10 below:

Table 2.10: Thresholds for procurement methods		
Category / threshold	Procurement method	Remarks
<b>Goods (under investment service costs)</b>		
≤ USD 25,000	Shopping	<ul style="list-style-type: none"> <li>Municipality to keep documentation on file for possible WB post review and audit</li> </ul>
Above USD 25,000 and below USD 1.0 million	National Competitive Bidding	<ul style="list-style-type: none"> <li>To use model bidding documents cleared by the World Bank</li> <li>Requires no-objection of DUDBC</li> </ul>
≥ USD 1.0 million	International Competitive Bidding	<ul style="list-style-type: none"> <li>To use standard bidding documents approved by the World Bank</li> <li>Contract requires no-objection of WB through DUDBC</li> </ul>
<b>Consulting services (selection of firm for the DSC ?)</b>		
≥ USD 300,000	Open International Approach	<ul style="list-style-type: none"> <li>Municipalities to use World Bank's Standard Request for Proposals (SRFP) document.</li> <li>Selection process subject to review by DUDCB.</li> </ul>

**Comment [I12]:** Do UDSTs have any role in procuring/ contracting DSSTs?

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Category / threshold	Procurement method	Remarks
	Quality and Cost Based selection (QCBS)	<ul style="list-style-type: none"> <li>For prior review activities, World Bank's no objection is required as per the STEP system</li> </ul>
<b>Civil works (for implementation of infrastructure development projects)</b>		
➤ $\geq$ USD 5.0 million	International Competitive Bidding	<ul style="list-style-type: none"> <li>Municipalities to use World Bank's Standard Procurement Document (SPD)</li> <li>Procurement process subject to review by DUDBC.</li> </ul>
	Request for Bids	<ul style="list-style-type: none"> <li>For prior review activities, World Bank's no objection is required as per the STEP system</li> </ul>
Small value procurement at municipalities will follow community-driven development (CDD) procedure in accordance with the Bank's Procurement Regulations as mentioned in the PPSD.		
Works Contracts: < NPR 2.0 million	As per PPA/PPR	Procurement shall comply with the GON procurement procedure as per the PPA/PPR.
Goods, Non-Consulting Services and Consulting Services: < NPR 1.0 million	As per PPA/PPR	Procurement shall comply with the GON procurement procedure as per the PPA/PPR.

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The various steps for each procurement method are well set out in the above referred Procurement Regulations.

To monitor adherence to the IDA/World Bank procurement procedure the World Bank's online STEP system (Systematic Tracking of Exchanges in Procurement) is to be used. DUDBC/PCO will upload procurement plan for all municipalities in STEP system except for CDD procurement. Procurement under CDD approach will follow GoN procedure and, therefore, need not to use Bank's STEP system.

## 2.14 Municipalities are responsible and accountable for use of UDG

As much as possible, the implementation arrangements for the use of UDG follow and seek to strengthen the systems and procedures that are aligned with the Federal constitution. It hence seeks to reinforce and strengthen the role of municipalities in providing adequate urban services and related urban infrastructure, in response to the needs and priorities as expressed by citizens, both formally and informally. ~~In fact, municipalities have, within their means, an obligation to carry out activities and provide services that citizens expect from them now they are now legally mandated for it.~~

Therefore, under NUGIP, the municipalities are made the prime responsible party for the use of the UDG funds and the implementation of the infrastructure projects. Municipalities are to be assisted by the Design and Supervision Support Teams but these also are recruited by and operated under the guidance and under the responsibility of the municipality, notably its executive committee. It is the municipalities that are responsible to ensure that the DSSTs perform as expected.

The fact that the municipalities are responsible for the use of the UDG, including the responsibility to supervise the DSSTs and through them the building contractor(s), does, however, not exclude other parties to have a monitoring and supervision role on how municipalities are using the funds. This is to provide a system of checks and balances.

Federal agencies, for example, in this case MoUD/DUDBC, have the right to ascertain that grants are used within the rules and regulations of as per this PIM, as much as they have a role to ensure that the earmarked policy objectives are achieved. Through scrutiny of the trimestral progress reports, and through additional spot checks if needed, the MoUD/DUDBC may ascertain that the approved and UDG funded sub-projects are implemented in compliance with the approved DPR(s) and the standards as provided in the technical guidance notes. In that sense, municipalities are accountable to the federal level.

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At the same time, municipalities and their executive committee have to be accountable, horizontally, to the assembly; and downwards to the citizens. This involves elements of social accountability that will be further discussed in chapter 3.

## 2.15 Formal reporting by municipalities

Municipalities will use the software named Sub-National Treasury Regulatory Application (SUTRA) for their accounting and financial reporting.<sup>2</sup>

In addition to the regular financial reporting through the government's SuTRA system, municipalities must submit quadrimester (4 months period) physical and financial progress reports related to the use of the UDG to MoUD/DUDBC, in the prescribed format (See Annex 23).

These progress reports should be received by DUDBC within one month of the end of each trimester for DUDBC to be able to prepare a consolidated (IUFR) report for the World Bank within 45 days after the end of each trimester.

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As stated above, the physical progress report must have a dedicated section on the environmental and social safeguards compliance.

Trimestral internal audit reports (see next paragraph) shall be submitted to DUDBC within 30 days after the end of each trimester.

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So in sum, the municipalities have the following reporting obligations for the UDG :

- Regular financial reporting through SuTRA
- Trimestral physical and financial progress reports (in the prescribed format; see Annex 23) within one month after the end of each trimester.
- Internal audit reports within 30 days after the end of each trimester

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## 2.16 Internal and external UDG Audit

LGs are independent for arranging or making law regarding internal audit

Under the FPFA (Section 34) and the LGOA (section 77) MUNICIPALITYs are free to make their own arrangements for internal audit.

For NUGIP UDG funds, as the District Treasury Comptroller's Office (DTCO) has been responsible for the internal audit of foreign aided projects implemented by the local governments, for the UDG funds, the municipalities are expected to coordinate with the DTCO for timely audit, to be done every trimester. Trimestral internal audit reports shall be submitted to DUDBC within 30 days months after the end of each trimester, and will be shared with the World Bank by 15 days thereafter.

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For the external audit, the use of the UDG by municipalities will be audited as part of the regular annual audits by the Office of the Auditor General, who will annually produce a dedicated NUGIP report and a separate Management Letter which may

<sup>2</sup> By contrast, MoUD/DUDBC will use the Computerized Government Accounting System (CGAS) for accounting of NUGIP expenditures

identify any material weakness in accounting and internal controls also at the level of individual municipalities.

### 3. C2 Institutional Strengthening support -for 21 municipalities

#### 3.1 Introduction: Generic & specific capacity development support

Next to financing large scale strategic urban infrastructure, the other objective of NUGIP is to strengthen the organisational and institutional capacity of the municipalities in implementing and managing such infrastructure projects and related municipal service provision.

Under the new constitution, and with financial resources actually being transferred to the municipalities, the responsibility for implementing sizable urban infrastructure projects, has become a new phenomenon for the municipalities, most of whom, however, lack staff with the technical and engineering skills required for such projects. Hence, for the foreseeable future, the municipalities will have to hire expertise, to work under their supervision, for the design work, the construction and the construction supervision. Hence, municipalities will have to develop their skills with regards to procurement and contract management related to urban infrastructure development.

The same applies for other aspects of institutional capacity development. For example, as part of the UDG requirements, the municipalities are required to make a three-year rolling urban infrastructure development plan that is prepared, amongst others, by widely consulting the various urban stakeholders, including the private sector and civil society. The proposed participatory process will allow elected representatives, municipal officials, citizens, and other key stakeholders to identify and prioritize their institutional capacity gaps within the identified thematic areas of support, and accordingly seek support.

After that, during project implementation, and for which the municipalities are the responsible party, the municipalities will have to report on the use of the grant to the federal government parties that have set the policy for the use of the grant. Municipalities will have to be able to show that all the applicable rules of public financial management (PFM) and safeguards are adhered to.

For this reason, the project will support both very specific competences like contract management for the design, construction and supervision engineers for the larger infrastructural works; in dealing with social and environmental safeguards, as well as the more generic competencies in areas of planning, financial management and reporting. This capacity development will mainly be offered through the two Urban Development Support teams (UDSTs).

#### 3.2 Purpose & approach of the Urban Development Support Teams

The main instrument of NUGIP to support the participating municipalities for both the generic and specific capacity development are the **two regional Urban Development Support Teams (UDSTs)**, one to cover and serve the 13 municipalities in the Eastern zone, including the four that do not benefit the UDG but only capacity development; and the other serving the 8 municipalities in the Western zone (see Table 1.1 with Map).

The objective of the capacity development is to provide support to the municipalities along the following thematic areas:

- (i) **Integrated urban development planning** -supporting municipalities in reviewing and analyzing their urban profile, urbanization and economic growth pattern,

**Comment [JIP13]:** Update per changes after negotiations.

urban infrastructure and service delivery gaps, investment needs, existing institutional, governance and management systems as well as available financial resources to come up with a comprehensive urban development plan including a long-term capital investment plans as well as spatial plans based on future urban growth projections with a major focus on building resilience through risk-informed urban planning techniques;

- (ii) **Citizen engagement and gender inclusion** -supporting municipalities in managing and strengthening the existing citizen engagement mechanisms in an institutionalized manner, strengthen the role of new committees formed such as judicial committee for effective functioning, public disclosures, citizen monitoring, social accountability systems and grievance redressal systems;
- (iii) **OSR mobilization** - supporting municipalities in rationalising and augmenting [as most of people are just trying to increase taxes where ever possible that impede the economic development] their financial resource base by tapping the revenue generation potential of the local government's revenue assignments under the new constitution including property tax, business tax, advertisement tax, user charges and other non-tax sources of revenue as per the constitution/LGOA 2017;
- (iv) **Municipal FM, procurement and contract management systems** - Supporting municipalities in strengthening their planning, budgeting, accounting, financial reporting and internal controls systems for transparent and robust financial systems. The support on procurement systems would focus on supporting the cities to strengthen their procurement and contract management systems with a particular focus on carrying out competitive bidding procedures for strategic/complex urban infrastructure projects and mainstreaming the use of e-procurement systems as per the federal government's PPMO guidelines.
- (v) **Urban infrastructure asset management systems** - the focus would be on supporting the municipalities in developing and operationalizing asset management systems for infrastructure investment sustainability through proper operations and maintenance of the infrastructure/physical assets in cities.

Each UDST will have the following staff:

- 1 Urban governance, planning and inclusiveness expert cum UDST team leader
- 2 procurement specialists
- 2 civil engineers cum-with experience in contract management ~~specialists~~
- 1 social safeguards and gender specialist
- 1 environmental safeguards specialist
- 1 Expert in urban finance

Each UDST will be staffed through the recruitment of a consultancy firm or firms with a turn-key (all inclusive) contract. The Terms of Reference for the UDSTs is provided in Annex 4.

The Capacity Development program will have both demand-driven as well as supply-driven elements. All capacity support activities will be guided under an agreed Annual Action Plan for each municipality with agreed targets, work plans and deliverables. The principle for support under this component is that the municipalities will be having UDST support visits on a very frequent basis, as a minimum every two weeks.

The following three modalities of capacity development support can be distinguished:

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**Comment [JIP14]:** To be updated (only draft)

▪ **Technical assistance for capacity development - On demand :**

The participating municipalities will be working on a regular basis with their respective Urban Development Support Team (UDST), per the agreed Annual Work Plan. As part of the collaboration, the municipality can request support from the UDST on any technical question they may have related to urban development and the management of urban development and to the five critical support areas mentioned above. The teams are obliged to respond to those requests and assist the municipalities in the best possible manner given its resources and technical capabilities.

▪ **Support for crucial activities in the NUGIP project cycle :**

There are a number of activities in the NUGIP project cycle that are crucial to the success of NUGIP in terms of delivering relevant city-wide urban infrastructure of good quality. At the same time these activities are core urban management issues for the municipalities, UDSTs will be working with municipalities to support the delivery of the following key outputs and processes::

- Preparation of a 3-year urban infrastructure development plan;
- Procurement and contract management of the design and supervision engineers, being the Design and Supervision Support Teams (DSSTs) as discussed in previous chapter; and
- Procurement and contract management for the building contractor(s).
- Financial Management and reporting

▪ **Formal (supply driven) training on core issues of urban management :**

In addition to the above, the UDSTs will offer formal training programs and on-the-job-mentoring support to interested municipalities on the following topics (tentative list) :

- Integrated urban development planning and related budget processes
- Citizen engagement in making urban development a more inclusive process
- Municipal financial management, accounting and reporting
- Own source revenue analysis and own revenue improvement action plans [considering the municipal economic development](#)
- Procurement and contract management
- Asset management
- Operation and Maintenance Systems
- Organizational and HR diagnostics to review the organizational chart
- Gender and Preparation of Women Empowerment Plans (WEPS)

As much as the UDSTs will take a proactive attitude in providing the supply driven support, they will only provide such the support in case of expressed interest by the respective municipalities; Hence, there should also be a demand.

Classroom training on the various topics will be done in close collaboration with national institutions - i.e. FCGO for Financial Management, etc. and, as much as possible use national modules if they exist for these trainings.

Also, the capacity development program will be gender focused and will target upstream capacity support to female elected official and female employees through a series of skill enhancement and sensitization activities including:

- mentoring and trainings in planning, budgeting, leadership and effective decision-making
- anti-discrimination and gender sensitization for all local government officers to accelerate normative change within existing institutions.

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- o design and implementation of Women's Empowerment Plans (WEPs) in participating municipalities to increase women's influence in the planning and budgeting process.

**Comment [JIP15]:** Include Sexual harassment mitigation work as well, as needed (per ESMF)

Another critical area of capacity support to be provided under the component is in terms of managing and strengthening existing stakeholder consultation mechanisms in an institutionalized manner. The project will assist the municipalities in establishing more robust and systemized forms of platforms of communications and dialogue between citizens, municipal stakeholders and their elected local government representatives, so that relations between the stakeholders and government are enhanced, made more meaningful and ensured.

In general, the UDST will be *supporting* the municipalities but will not engage to do the work on their behalf. In line with their constitutional mandate, the municipalities remain responsible for all actions of project selection, planning, budgeting, procurement, contract management and the ensuing financial operations.

### 3.3 Broad programme of work for UDSTs

For the first 2 years the programme of work of the UDST largely follows the steps of the project preparation cycle (as summarized in Table 2.6). The UDSTs will assist the municipalities in preparing the three years rolling urban infrastructure development plan, and identify the most appropriate projects. Subsequently, during FY 21/22 the UDSTs will assist the municipalities in recruiting the DSSTs and thereafter support the municipalities in managing, guiding and overseeing the work of their DSST. Whilst doing this, the UDST will assist the municipalities undertaking the work they are required to do i.e. supervising and monitoring the engineers they have hired (and not act as capacity substitution).

In the subsequent years, the UDST will continue to assist the municipalities in overseeing the DSSTs as well as, the construction firm(s). In brief, the UDST will help the municipalities in contract management for both DSST and the construction firm(s).

The formal training and on-the-job mentoring program will follow and align with this process. Initially, the focus will be on urban development planning and citizen engagement whilst, with time, the emphasis will shift to the issues of own source revenue and PFM related issues.

Gaur, Dhanusadham, Jaleshwar and Jiri municipalities, that are only eligible to capacity development support (but not theUDG-grant) will, naturally, receive a lighter capacity development support package. Their capacity development support would focus on the right to participate in all formal training events, as much as they are also entitled to the technical assistance on demand, which may include the preparation of a 3-year urban infrastructure development plan. The UDST (East) will agree with the four municipalities on a tailor-made program for them.

### 3.4 How municipalities can engage and steer support of the UDSTs

Whereas, initially, the supply driven topics will be part of the Terms of Reference for the UDSTs (as to be issued by MoUD/DUDBC; see Annex 4), the content of the on-demand driven capacity development is from the beginning steered entirely by the municipalities themselves, by approaching the UDST with concrete questions and request.



In the longer run, the municipalities can also influence the formal training program through the annual programming sessions that the UDSTs will have to organize and during which the municipalities can make themselves heard in terms what topics they like and do not like as well as requesting the UDST to address additional topics; or to address the listed topics in a different manner. The same would apply for the way the UDSTs address the mandatory topics (like the 3-year rolling plan), for which the municipalities can express what they see as the capacity gaps that need to be addressed.

Hence, overall, the Municipalities have ample opportunity to steer themselves the support of the UDSTs.

### 3.5 UDSTs to support municipal capacity development - not project offices

As much as UDSTs assist municipalities in meeting the various requirements for the UDG-grant, and their institutional strengthening programme derived from the UDG project planning calendar, the UDSTs are not be seen as 'regional NUGIP project offices' as they have no project management or project operational responsibilities. They are purely institutional and organisational capacity support structures for the municipalities, assisting them to optimally benefit from NUGIP.

Table 3.1: Urban Development Support Team (UDST) - Activity Calendar, by year (tentative)		
Activity	Period	Narrative of the activity / sub activities
<b>FY 20/21 (16 Nov - 15 March 2021)</b>		
▪ Procurement of the UDSTs	Oct/March	▪ The DUDBC to procure the services of two UDSTs on the basis of the ToRs in Annex 4.
▪ TA on demand	March	▪ UDST introduce themselves and are available to start supporting the municipalities
▪ Programming	April - Jul	▪ UDSTs agree with each municipality on workplan for next FY
<b>FY 21/22 (16 July 21 - 15 July 21)</b>		
▪ TA on demand (UDST as 'help desk')	Jul - Jul	▪ Continuous 'on demand' support, mentoring, coaching
▪ Support for crucial activities in the NUGIP project cycle	August	▪ Introduction to 3 year urban development plan ▪ Preparation of an action plan
	Sept - Oct	▪ Support municipalities in consultations, initial project prioritization and organization of the Municipal Investment Forum
	Oct - Dec	▪ Support recruitment of the DSSTs
	Nov - Dec	▪ Support preparation of the 3 year urban development plan
	Jan - Feb	▪ Assist the municipalities in guiding and overseeing the DSSTs in doing investment planning and appraisal
	March	▪ Assist the municipalities (and the DSSTs) in screening the projects against the ESMF
	April	▪ Support the municipalities in submitting final designs and estimates for final approval ▪ This may include support / guidance to municipalities and DSSTs in preparing the required safeguard documents including ESIs, ESMPs, RAPs and/or VCDPs
	May	▪ Round table with all municipalities (2 clusters) for

Activity	Period	Narrative of the activity / sub activities
		programming of next year's training courses
▪ Formal / classroom training	July	▪ Integrated urban development planning
	Aug	▪ Citizen engagement and Gender Inclusion
	Nov	▪ Procurement and contract management
	Feb	▪ Financial management, accounting and reporting
<b>FY22/23</b>		
▪ TA - on demand	Jul - Jul	▪ Continuous 'on demand' support, mentoring, coaching
▪ Support for crucial activities in the NUGIP project cycle	Jul - Jul	▪ Assist the municipalities managing the DSSTs
	May	▪ Assist the municipalities in managing the building contractor(s)
▪ Formal / classroom training	Aug - May	▪ Repeat / deepening same (4) topics as previous FY
		▪ Plus additional topics suggested by municipalities in round table
	Aug	▪ Own source revenue + improvement action plan
	Nov	▪ Asset management
	Feb	▪ Operation and Maintenance - Budgeting and execution
<b>Two subsequent FYs (23/24 and 24/25)</b>		
▪ TA on demand	Jul - Jul	▪ Continuous 'on demand' support, mentoring, coaching
▪ Support for crucial activities in the NUGIP project cycle	Jul - Jul	▪ Assist the municipalities managing the DSSTs
	May 24	▪ On the job assistance of municipalities in contract management
		▪ Round table for next year programming
▪ Formal / classroom training	Jul - Jul	▪ Repeat/deepening of any topic treated in previous FYs depending on need and municipal demand
		▪ Plus additional topics as suggested by municipalities

## 4. Institutional arrangements at the municipality level

### 4.1 The provisions in the legal framework

As said in previous chapters, in Nepal, planning for public goods, notably investments, at the local level is very much linked to community level planning and implementation by user-groups. As much as this allows community involvement in decision-making and implementation, it also has a number of setbacks, the most important one being that it leads to fragmentation of funds and small projects that are not joined up.

Under the new constitution, notably in the Schedules 5 to 9,<sup>3</sup> the mandates for the different levels of government (federal, provincial, local) are laid out. Under the mandates of the local level are, amongst others and with a focus on ~~urban local levels~~ Municipalities, local development plans and projects, local roads, sanitation, water supply, local market management and environment protection.<sup>4</sup> It is clear that under the new constitution the urban local levels are responsible for urban development and for the provision of 'municipal services' which includes: urban infrastructure (roads and everything that comes with it), drainage, water supply, solid and liquid waste management. [This para may be removed]

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Given the enormous challenges with regards to the rapid rate of urbanisation as witnessed in Nepal (see para 1.1 above), and hence the scale of the operations required, the system of community level planning has become inadequate as larger scale city wide strategic infrastructure is required. [This para may be removed]

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Obviously, also f For such larger scale strategic infrastructure, citizen involvement in decision making is required, as the whole purpose of (urban) local levels and the transfer of functions to them is to provide local voice in the decision making.

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However, as the scale of the investments that are needed is changing, also the mechanisms of citizen involvement are changing. NUGIP will assist municipalities in starting to use different mechanisms of stakeholder consultation and stakeholder involvement. These mechanisms were already referred to in Chapter 2 as the steps to make a three-year urban infrastructure development plan, but they merit separate attention.

### 4.2 People's participation and stakeholder representation

The way governance is organised under the Federal Constitution is that each level is 'governed' by its own legislative, being the assembly of elected representatives, i.e. the federal parliament, the state of provincial assemblies and the local level assemblies, respectively.

Comment [G16]:

It implies that in part, a system of indirect representation is in place, whereby elected representatives have a voice on behalf of the people that elected them. As such, for the approval of the three-year urban infrastructure development plan, the Municipal assembly shall be involved in decision making on behalf of the people they represent. The Municipal executive, with help of the administration, shall prepare

<sup>3</sup> Schedule 5 sets out the powers (functions and mandates), for the federal level; Schedule 6 lists the powers of states (provinces), whilst Schedule 7 list concurrent powers between the federal level and the provinces; These are functions that are fulfilled jointly. Schedule 8 has the list of local powers whilst Schedule 9 summarises the functions where all three levels have joint obligations.

<sup>4</sup> The list of mandates for the local level also includes several functions that are either not specific for urban local governments (such as basic and secondary education) or less relevant for MUNICIPALITYs such as agricultural extension, irrigation and hydro power.

the plan, but it shall be the Assembly that approves it. During preparation of the plan, the executive shall keep the Assembly regularly informed on the progress and members of the Assembly have the right to ask for information about the plan and to provide input.

Apart from this formal, and constitutionally embedded system of people's participation, other more informal mechanisms will also be applied to consult with the various city stakeholder groups, which would notably include the private sector and their representatives, business organisations, public transport companies, etc. The objective is to create a platform of actors that jointly are able to push urban development and municipal service delivery forward.

During the municipal project planning cycle (see Table 2.6), such informal consultations will take place at least twice, that is

- During project identification (step-1), which is a first round of collecting different ideas and suggestions for possible projects within the NUGIP framework;
- During the Municipal Investment Forum (step 4 in Table 2.6), to present the draft three-year urban investment development plan to the above mentioned stakeholders for final comments and fine tuning. The forum resembles the in Nepal well known function of the 'annual budget conference' [language?], but this time specifically for strategic urban infrastructure and a longer (3-year) horizon.

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The use of stakeholder fora to consult citizens is a common mechanism in many countries and expected to become part of urban management as executed by the municipalities in Nepal. It is an institutional addition to the mechanisms already in place, in order to be able to adequately involve citizens to inform decisions by the municipal management, be it the mayor, the Executive Board or the Assembly.

### 4.3 The NUGIP Municipal Coordination Committee (MCC)

As much as possible, NUGIP will be implemented using and supporting the existing mechanisms of the Government of Nepal under its federal constellation. This also applies for the local level. The only specific project requirement is the establishment of a NUGIP Municipal Coordination Committee (MCC), that brings together, on a regular basis, the different parties from within the Urban Local Level to discuss progress and ensure the required coordination between the different departments and units.

The MCC at the local level has members as follows:

- Mayor, chairperson
- Deputy Mayor, vice chairperson
- Members of the Executive Committee, members
- Chief Administrative Officer, member
- Head of Engineering Unit, member (for technical issues & contract management)
- Head of Social and Environment Unit, member
- Head of Finance & Admin Unit, member (for financial and procurement issues)
- DSST Team leader, resource person
- UDST Team leader, resource person
- Head of the Planning Unit, secretary and convener (responsible for reporting)

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The MCC will meet as often as needed but the gap between two successive meetings shall not be more than 3 months. As the number of the Executive committee members may be considerable, the MCC meetings may be organised as part of the monthly meetings of the Executive Committee. A ToR for the MCC is provided in Annex 7.

#### 4.4 Roles and responsibilities of municipalities in the implementation of NUGIP

All the ~~identified infrastructure development~~ sub-projects under NUGIP financed under the Urban Development Grant are executed under the responsibility of the respective Urban Local Level Municipality, consistent with the legal provisions of the federal framework.

Different units within the municipality will have distinct roles in ensuring smooth implementation of the sub projects. The organisation of the municipality administration may vary a little from one municipality to the other, but key functions for NUGIP would be (i) planning; (ii) Infrastructure / Engineering and (iii) Admin & Finance.

A summary of roles and responsibilities of each entity and/or position is provided in Table 4.1 below.

Table 4.1 : Roles and responsibilities within the municipality for NUGIP sub project implementation	
Entity / person	Description of roles and responsibilities
<b>Legislative</b>	
1. Municipal Assembly	<ul style="list-style-type: none"> <li>Provide input to the project planning process</li> <li>Approve the 3-year Urban Infrastructure Development Plan</li> <li>Exercise oversight on the Executive and the Administration during sub-project implementation</li> </ul>
<b>Executive</b>	
2. Mayor	<ul style="list-style-type: none"> <li>Acts as Chief Accounting Officer &amp; Authorized Municipal representative</li> <li>Responsible for proper coordination between LL units</li> </ul>
3. Executive Committee	<ul style="list-style-type: none"> <li>Ensure / facilitate project implementation</li> <li>Assume responsibility vis-à-vis the Assembly</li> </ul>
<b>Administration</b>	
4. Chief Administrative Officer	<ul style="list-style-type: none"> <li>Responsible for coordinating the overall Administrative and Financial processing related to NUGIP</li> </ul>
5. Planning Unit	<ul style="list-style-type: none"> <li>Responsible for preparation of the 3-year urban infrastructure development plan</li> <li>Ensuring the involvement of various stakeholders throughout the project lifecycle</li> <li>With the Infrastructure unit responsible for DSST management</li> <li>Secretary of the NUGIP Municipal Coordination Committee</li> <li>First point of contact for the UDST</li> <li>Via the Mayor/Chief Administrative Officer, responsible for all NUGIP reporting to/ correspondence with MoUD/DUDBC</li> </ul>
6. Infrastructure /Engineering Unit	<ul style="list-style-type: none"> <li>Responsible for all technical aspects of the sub-projects               <ul style="list-style-type: none"> <li>Design</li> <li>Feasibility study and costing</li> <li>Assist the admin unit in tendering and contracting</li> <li>Building contractor contract management</li> <li>ES screening and ESMF/ESMP &amp; other safeguard document compliance</li> <li>Input for physical progress reporting (to planning unit)</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>▪ With Planning unit responsible for DSST management</li> </ul>
7. Admin and Finance Unit	<ul style="list-style-type: none"> <li>▪ Processing tender documents (for DSST and building contractor(s))</li> <li>▪ Ensure contracting (of DSST and building contractor(s))</li> <li>▪ All financial operations related to NUGIP (receipts, payments, accounting)</li> <li>▪ Provide data for NUGIP financial reporting (to planning unit)</li> </ul>

## 5. C3 Support to municipalities for COVID-19 recovery

**Comment [JIP17]:** Milanji is adjusting this section a bit and will complete Monday.

### 5.1 Background

Labor Intensive Public Works (LIPW) component has been incorporated in the Project (NUGIP) for post COVID response and recovery. This component will provide support and relief to vulnerable groups in participating municipalities to help mitigate the short and medium negative impact of the COVID 19 crisis through LIPW. The component will finance (i) payment of wages for beneficiaries who undertake temporary employment LIPW sub projects (ii) expenses for works, tools and materials for the implementation of sub projects, and (iii) expenses related to management of the LIPW (sensitization, consultations, administration, and supervision).

### 5.2 Allocation

With a budget of USD 20 million, the delivery of LIPW will provide wage-income to targeted beneficiaries in participating municipalities through implementation of small infrastructure development and maintenance projects and full or partial labor contribution in on-going/approved municipal labor-intensive investments. Implementation of LIPW will provide an opportunity for wage-earners in helping them mitigate short and medium-term negative impact of the COVID crisis.

### 5.3 Implementation modality

As per the project design, the participating municipality will have the overall responsibility of implementing the LIPW with some support from Project Management Support Team (PMST) and a dedicated NUGIP coordination team (PCO) within MoUD/DUDBC. The implementation of LIPW is guided by the NUGIP-PIM in general and is specifically operationalized under this a separate Project Operation Manual (POM) for LIPW.

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### 5.4 Coverage

LIPW spans over 12 municipalities. The municipalities are grouped based on their locations in two clusters- eastern cluster and western cluster. A LIPW Coordinator and two LIPW experts in the team of the Project Management Support Team (PMST) at PCO will lead the operationalization of LIPW, including oversight and supervision in the municipalities. [Is it so?]

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### 5.5 Budget summary

Conditional grants are allocated to the participating municipalities based on the principle of allocation. The total amount of USD 20 million will be allocated across the 12 municipalities on the basis of a formula that has four elements: a fixed share of the total envelope and three variables being (i) population, (ii) land area and (iii) infrastructure gap index districts

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~~bordering india, (iv) touching major roads and (v) bulk breaking area. As such, ten percent of the total envelop will be allocated equally across the 12 municipalities for fixed costs assumed to be equal across all municipalities. Seventy percent is allocated pro-rata the population (CBS data from the last census), whilst another ten percent is allocated pro-rata the land area of the municipalities. The final ten percent is allocated on the basis of the infrastructure gap (weighted for the population).~~ The allocation table is presented in Annex.

The total budget for LIPW will be disbursed over three years with 20% fund flow in year one, 50% in year two and the remaining 20% in year three [Sum total is just 90%]. However, the percentage of fund flow in second and third year may vary depending on the annual absorption in preceding year.

## 5.6 Participation Agreement

Signing of participation agreement by the participating municipality is a pre-condition for release of funds.

## 5.7 Management Information System

An IT based management information system (MIS) is in place for managing and monitoring. The MIS stores all the data captured from the participant registration form, uploads the workers' attendance and also calculates the corresponding payments. The MIS also stores relevant information of wage sharing or partial wages contribution modality if being implemented at participating municipality. [Who prepare the system?]

## 5.8 Financial Management

LIPW component will finance (i) payment of wages. (ii) expenses for works [meaning], tools and materials for the implementation projects, and (iii) expenses related to management (consultations, administration, and supervision).

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## 5.9 Accounting

Participating municipalities maintain separate account for LIPW grants and makes expenses within the ceilings on wages and non-wages. Municipalities keep records of expenses, maintain the accounts and are responsible for formal reporting to the PCO. Municipalities must ensure that no any expenses are made in:

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- Wages of any worker who is not listed does not meet the criteria to be as LIPW beneficiary [Are we making a list or criteria only?].
- Financial donations
- Expenses beyond allocated ceilings or to any other programme
- Any third party sub-contract

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## 5.10 Financial Audit

- Municipalities are free to make their own arrangements for internal audit. Municipalities will, however, coordinate with district treasury comptroller office for the audit of LIPW funds.
- The Internal Audit reports shall be submitted to DUDBC within 30 days after the end of each trimester and DUDBC shall shared with the World Bank by 15 days thereafter.
- For the external audit, the use of LIPW funds will be audited by the Office of the Auditor General and report produced accordingly.

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### 5.11 Procurement

Municipalities may choose implementation of LIPW through any of the three different procurement options as listed below:

- i) Project Implementation Committee (PIC) ~~same as users committee?~~, or
- ii) Private Party or
- iii) Forced Account, if ~~cannot be done~~ by above two options.

Municipalities may engage

A) PIC, preferably in cases of new sub-project implementation

B) Private Party, preferably, in case if PIC is not workable or in case of ongoing/approved municipal sub-projects for wage sharing; and

C) Force Accounts procedure for partial wage contribution in infrastructure works. This option shall be adopted for small value labor intensive work e.g. minor construction, repair and maintenance etc. which cannot be done from two options above.

All LIPW related procurements comply with the GoN procurement rules. ~~This single sentence is enough to remove the above lines, no?~~ The PCO supported by PMST will have the overall responsibility to provide guidance to the participating municipalities and monitor the procurement management. Any procurement will have to be undertaken with a ~~pre-approved~~ ~~[who approves?]~~ ~~list~~ ~~[which list we are talking?]~~ and on in accordance with the provisions in the POM.

The Bank will review the procurement expenditures based on the final audit report. ~~[?]~~

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**Comment [I18]:** Is this a Road Maintenance Group (RMG) or Road Building Group (RBG) or Infrastructure Maintenance / Building Group (IMG or IBG) with peoples having LIPW eligibilities? OR Is this a User's committee with peoples having LIPW eligibilities? Because hiring process (to be included in LIPW POM) of a user committee may differ with that of IMG/IBG

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### 5.12 Institutional Arrangement

Federal and Local level institutional arrangements have been made for the implementation of LIPW and are presented in detail as below:

#### FEDERAL LEVEL

##### Ministry of Urban Development (MoUD)

~~Federal Ministry of Urban Development (MoUD) is the custodian of NUGIP. The ministry is the primary coordinating agency and responsible for overseeing project implementation, supervision and coordination.~~

~~The Ministry is responsible for oversight of the use of the LIPW grant by the municipalities.~~

The role of MoUD is to ensure compliance with the ~~rules as set in the POM for the grant~~ and ensure overall effective implementation across municipalities.

Within the Ministry, these tasks are further delegated to the Department of Urban Development and Building Construction (DUDBC).

##### ~~Project Steering Committee (PSC)~~

~~The Project Steering Committee (PCO) at the federal level serves as policy making and inter-ministerial coordination body. The committee is comprised of the following members:~~

- ~~• Secretary, MoUD~~ ~~Chair~~
- ~~• Director General, DUDBC~~ ~~Member~~

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- ~~MoF, Joint Secretary~~ ~~Member~~
- ~~MoLESS, Joint Secretary (PMEP)~~ ~~Member~~
- ~~MoFAGA, Joint Secretary~~ ~~Member~~
- ~~Provincial representatives, 1 for eastern and 1 for western cluster~~ ~~Members~~
- ~~Mayors (Participating municipalities), 1/cluster~~ ~~Members~~
- ~~World Bank representative(s)~~ ~~Observer~~
- ~~NUGIP Project Director / Coordinator~~ ~~Member-secretary~~

[No separate PSC be made. NUGIP PSC will do the job but make provision in NUGIP PSC the the joint secretary of MoLESS be invited when PIW issues arises.]

#### Project Coordination Office (PCO)

A dedicated NUGIP unit within the Department of Urban Development to deal with all oversight and reporting issues related to LIPW also on behalf of the Ministry. The unit Project will have a LIPW focal person as key contact point for LIPW matters.

#### LOCAL LEVEL

##### Municipal Coordination Committee (MCC)

LIPW will be implemented using and supporting the existing mechanisms of the Government of Nepal. The only specific project requirement is the establishment of a Municipal Coordination Committee (MCC), that brings together, on a regular basis, the different parties from within the municipality to discuss progress and ensure the required coordination between the different departments and units. The MCC has members as follows:

- Mayor, chair
- Deputy Mayor, vice chair
- Members Executive Committee, members
- Chief Administrative Officer, member
- Head of Engineering Unit, member (for technical issues & contract management)
- Head of Finance & Admin Unit, member (for financial and procurement issues)
- Head of the Planning Unit, member (responsible for reporting)
- LIPW, Focal Person, Project implementation Unit, member-secretary

The MCC will meet as often as needed but the gap between two successive meetings shall not be more than 3 months. As the number of the Executive committee members may be considerable, the MCC meetings may be organized as part of the monthly meetings of the Executive Committee.

#### Project Implementation Unit (PIU)

A dedicated unit at the participating municipality comprising of LIPW focal point (preferably Engineer) and supported by a social facilitator.

### 5.13 Formal reporting by municipalities

Participating municipalities have the following reporting obligations:

- Financial reporting

- Periodic physical and financial progress reports and also updated on the MIS within one month after the end of each **trimester**/quadrimester.
- Internal audit reports within a month after the end of each **trimester**/quadrimester.
- **Public audit [too many small job - it maybe very difficult]**
- External audit report, audited by the Office of the Auditor General (OAG) , for each year of project implementation including the audit opinion on LIPW to be submitted within nine months from the end of each fiscal year to the world bank through MoUD.

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#### 5.14 Safeguard requirements

General and work associated health and safety orientation is provided to the working groups in the field as per ESMF required. Awareness of and provisions for safe working procedures to prevent accident are ensured. First aid kits made available at sites. Is not the work scattered all around. Use of safety tools (such as helmets, boots, gloves, protection glasses etc.) as appropriate are provided in high risk areas. The safeguards requirements are in compliance with government health and safety safeguard policies. Accidental group insurance will be considered as required.

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#### 5.15 Grievances redress

All subprojects are required to manage a grievance redress mechanism (GRM) of NUGIP as stated in the ESMF to enable subproject stakeholders to raise and questions, concerns or grievances. Respecting the right of workers to complain about any issues that arise during the implementation process, LIPW has provided a grievance mechanism. [Shall we arrange that all grievance copy will be recorded at municipality and automatically copied to PCO?]

Submission of Complaints: a) Use of complaint box, b) written complaint provided to Supervisor

Processing: The complaint(s) received in the boxes or in person are processed within a week. All grievances, including environmental and social issues are to be submitted to the municipality's judicial committee (Nyayik Samiti). The Nyayik Samiti is a 3-member committee being composed of the deputy mayor and 2 persons from the executive committee and/or wards.

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Response: The Nyayik Samiti deals with the complaint and resolves it within a week. Complaints remain in the complaint register until they get resolved.

## 6. C4: Contingent Emergency Response

The proposed project includes a Contingent Emergency Response (CER) component to respond rapidly at the Government's request in the event of an eligible disaster, including climate-related events and pandemics. This Component will finance the implementation of emergency infrastructure reconstruction, rehabilitation, and associated studies (Emergency Response Activities). Resources will be allocated to this component as needed by the project during implementation. Disbursements will be made against a preestablished list of critical goods or the procurement of goods, works, and consultant services required to support the immediate response and recovery needs of the GoN. **A separate Implementation Manual for this component will be prepared by the GoN within the first six months of implementation**

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and will provide detailed guidelines and instructions on how to trigger the CER component and use funds. The Manual is available as separate appendix to this Manual.

## 7. C5: Project Management & Coordination (Federal level)

### 7.1 Introduction

The third component of NUGIP provides operational support to MoUD/DUDBC to implement the project, as well as capacity development support to both MoUD/DUDBC and other federal as well as provincial players, to get better equipped for their changing roles in dealing with issues of rapid urbanisation. It relates to awareness, understanding and the capacities to assume those roles and functions.

The new constitution has fundamentally changed the relations between the central (now federal) government bodies and the local levels. In particular for NUGIP, it has changed the relation (even though the transition is ~~work~~ in progress), between MoUD/DUDBC and the ~~Urban Local Levels~~ Municipalities. This applies to the division of roles and functions, but also in the way financial resources are now being put at the discretion of the local governments, for them to decide how to use it and, subsequently, be responsible and accountable for the use of those funds. The federal bodies have a role in setting policies, setting the rules for the use of (sector) grants and then in monitoring and supervision to ensure that those rules are followed. Federal government has been making somuch rules that Municipalities can not or/and need move otherwise as their needs]

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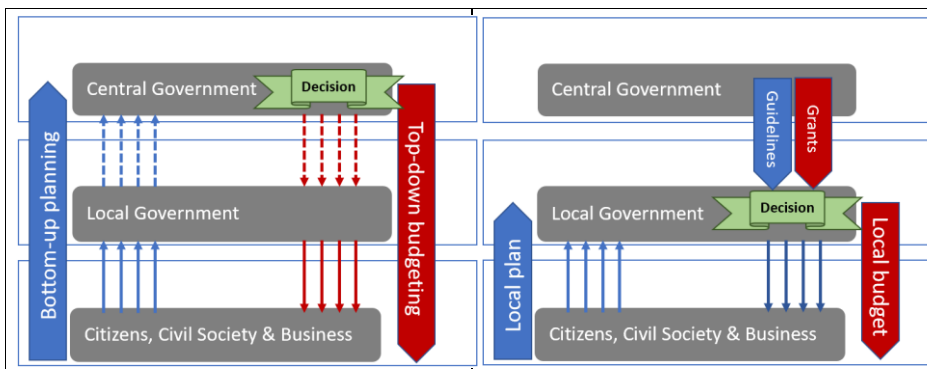
It is a change ~~from-to~~ “bottom up ~~and~~from top down budgeting”, whereby all decisions are made at the central level based on suggestions by the lower levels, towards a situation wheredecisions are taken at the local government level, with inputs from the local stakeholders. The change is illustrated in Fig 5.1. [could not understand]

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In this chapter, first an overview will be provided of the operational support for MoUD/DUDBC, which consists of two parts, being direct operational support (section 4.2.1) and recruitment of a consultancy firm to provide project management support (section 4.2.2). Section 4.3 presents the capacity development program and the activities that are foreseen. In the final section of the chapter (section 4.4) an overview is provided of the budget for component-3, providing an idea of the activities that are envisaged, plus a time-line for the entire project which incorporates the timelines as presented above for Components-1 and 2. It is the time line that the NUGIP management team is to monitor to ensure timely delivery of the entire project.

Figure 5.1: Bottom-up planning (and top-down budgeting) versus decentralized planning and finance

Panel A: Bottom-up planning & top-down budgeting	Panel B: Decentralized planning and finance
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Source : Jamie Boex, *Funding urban development in the emerging fiscal federalism context in Nepal* (undated)

## 7.2 Operational support for the NUGIP unit

### 7.2.1 Operational support for the dedicated NUGIP unit within MoUD

The operational support under C-3 deals with the costs of the dedicated NUGIP facilitation team both in terms of basic investments (such as means of transport) and all operational costs of office stationaries, travel costs etc. It also includes provision for recruitment of local consultants, both short and longer term to enhance the capabilities of the team. Salaries of Government staff within the team, are paid for by the Government of Nepal.

The Nepali NUGIP team within MoUD/DUDBC will comprise of :

▪ 1 NUGIP Project Director (1 <sup>st</sup> class officer)	○ MoUD/DUDBC staff
▪ 1 civil engineer/architect 2 <sup>nd</sup> class, deputy director	○ MoUD staff
▪ 1 civil engineer/architect	
▪ 1 financial management specialist	
▪ 1 National project advisor urban local governance	○ Local consultants to be directly recruited by MoUD/DUDBC
▪ 1 Procurement specialist	○ Paid for on NUGIP budget
▪ 1 Financial management Specialist	
▪ 1 Environment and Social safeguards specialist	
▪ 1 National project advisor urban local governance	
▪ 2 accountants (1 officer & 1 1 <sup>st</sup> class non-gazette)	○ MoUD staff
▪ 1 secretary	
▪ 1 driver	

**Comment [JIP19]:** PCO to update this to reflect the real staffing commitments from DUDBC towards the project as well as the Consultants

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In Annex 2 a Terms of Reference is provided for the work of the NUGIP team.

### 7.2.2 Recruitment of a consultancy firm to provide management support (the PMST)

Under Component-3, funds are set aside for the recruitment of a consultancy firm to staff a Project Management Support Team (PMST) to support the dedicated NUGIP coordination team within MoUD/DUDBC to oversee the implementation of the project and ensuring that the targeted results are achieved in a timely manner.

The NUGIP PMST will comprise of 21 members, including three that have (broad) international experience (see Table 5.1). The Terms of Reference for the TA team are provided in Annex 3.

Table 5.1: Staffing schedule PMST to be set between MoUD and VU

**Comment [JIP20]:** Update this based on the revised TORs

#	Required Experts/Positions	Positions	National(N) / International (I)	Level of input (Person-months)
1	Team Leader	1	I	30
2	Deputy Team Leader	1	N	6054
3	Institutional Development Expert	1	I	3618
4	Urban Planning Expert	1	N	3630
5	Financial Management Expert	1	N	36
6	Municipal Finance Expert	1	N	24
7	Procurement & Contract Management Expert	1	N	36
8	Quality Management Expert	1	N	24
9	Road Engineer	1	I	4824
10	Road Engineer	1	N	6054
11	Road Safety Expert	1	N	24
12	Bridge Engineer	1	N	2418
13	Storm Water Drainage Expert/Hydraulic Engineer	1	N	3630
14	Storm Water Drainage Expert/Hydraulic Engineer	1	I	18
4415	Geotechnical Expert	1	N	18
4516	Environment Safeguard Expert	21	N	6036
4617	Social Safeguard Expert	21	N	6036
4718	GESI Expert	1	N	3024
4819	Monitoring and Evaluation Expert	1	N	3630
4920	IT-MIS Expert	1	N	24
2021	LIPW Coordinators	31	N	9036
22	LIPW Cluster Coordinators	2	N	60
Sub Total		2423		750684

Comment [I21]: As per updated PMST ToR

### 7.3 Capacity development support for Ministry and Provinces

The third sub-component under C-3 concerns a set of capacity development related activities. Activities will include:

- Support for policy and strategic oversight in areas of technical service delivery norms and standards; urban planning guidelines; urban sector policies.
- Events to create greater awareness and understanding of the roles and responsibilities of the different parties (and layers of government) in urban development.

### 7.4 Summary of the tasks and workplan for the NUGIP unit

In summary, the dedicated NUGIP unit in DUDBC is responsible for the following:

- Recruitment and guidance of the ministry-based PMST;
- Recruitment and supervision of the UDSTs;
- The Annual GAC assessment;
- Continuous compliance monitoring of municipalities for adherence to the rules of the UDG, including ES safeguards compliance
- Implementation of federal and provincial level capacity development activities;
- Policy development and setting of norms and standards; and
- Fulfilling of reporting obligations including annual unaudited and audited project account to the WB allowing loan disbursements and UDG grant releases.

The continuous compliance monitoring of municipalities is both desk-based and field based. The supervision is desk based through standardised mechanisms being (i) **trimestral** physical and financial progress reports; (ii) issuance of no-objections with regards to the UDG investment plan and the subsequent procurement and (iii) required approvals prior to payments. Table 5.2 provides a summary of the situations where MoUD/DUDBC will be monitoring municipality level project implementation and compliance. All requests for 'no-

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objection' by the Ministry are to be addressed to the NUGIP coordinator (see inside cover page for contact details).

Table 5.2: Mandatory submissions by municipalities allowing continuous monitoring by MoUD/DUDBC		
Type	Submissions by municipalities	Action by MoUD/DUDBC
Plans and detailed designs	<ul style="list-style-type: none"> <li>3-year UDG urban development investment plan</li> <li>This is not mandatory, but strongly recommended [1] afraid it is written somewhere mandatory]</li> </ul>	<ul style="list-style-type: none"> <li>Provide a go-head to the municipality</li> </ul>
	<ul style="list-style-type: none"> <li>Detailed designs and costing for UDG sub-projects</li> </ul>	<ul style="list-style-type: none"> <li>No objection of both DUDBC and WB required</li> <li>DUDBC to process no objection request to WB</li> <li>Done by email correspondence</li> </ul>
Trimestral progress reporting	<ul style="list-style-type: none"> <li>Municipalities to submit trimestral UDG progress reports (physical and financial) within one month after the end of the trimester</li> </ul>	<ul style="list-style-type: none"> <li>DUDBC               <ul style="list-style-type: none"> <li>has right to ask further clarification</li> <li>is entitled to provide suggestions</li> <li>Can only stop next trimestral transfer on basis of evidence of serious non-compliance</li> <li>Needs to submit a NUGIP consolidated progress report to the WB within 45 days after the end of a trimester</li> </ul> </li> </ul>
Procurement	<ul style="list-style-type: none"> <li>Municipalities require a no objection for every contract to be funded under UDG</li> </ul>	<ul style="list-style-type: none"> <li>DUDBC               <ul style="list-style-type: none"> <li>To endorse the tender documents, with special attention to evaluation criteria</li> <li>To endorse the tender evaluation report prior to a contract being issued by the municipality</li> <li>Request a no objection from World Bank through STEP</li> </ul> </li> </ul>
Payments	<ul style="list-style-type: none"> <li>?</li> </ul>	<ul style="list-style-type: none"> <li>No objection ?</li> </ul>
GAC assessment	<ul style="list-style-type: none"> <li>Municipalities are assessed annually</li> </ul>	<ul style="list-style-type: none"> <li>Non-compliance with any GAC criteria leads to exclusion from receiving the UDG next FY</li> </ul>

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Another mechanism for supervision of the municipalities by the MoUD/DUDBC is during the annual GAC assessments. During the field visits that are part of the annual GAC assessments (see section 2.9), the Ministry has the opportunity to routinely conduct inspections on site. Otherwise, and given the relative autonomy of the municipalities as provided under the new Constitution, such on-site visits by the Ministry, outside the GAC assessment process would be restricted to cases of suspected non-compliance with DPRs, mishandling of funds or even fraud.

Table 5.3 provides an overview of the activities to be undertaken by the NUGIP unit during project implementation, by year. It reflects the seven sets of activities as listed above.

## 7.5 Financial management - eligible expenditures and reimbursement

As the funds for Component 2 and 3 are management by the MoUD/DUDBC, the rules for financial management are the same, and the basic principles are summarised as follows :

- On the basis of the Annual NUGIP workplan, to be produced during the month of April), the budget estimates are included in the Red Book for next FY, as one line item (with or without sub-headings) under the head of the MoUD;
- MoUD/DUDBC will use the Computerized Government Accounting System (CGAS) for accounting of NUGIP expenditures. [2] All the required ledgers related to

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disbursement including Credit and Grant Register etc. will be maintained at the DUDBC.

- For expenditure as foreseen in the workplan to be eligible for reimbursement under the NUGIP loan the workplan needs a no-objection from the World Bank prior to implementation;
- MoUD to submit the WB endorsed budget to the Ministry of Finance via the LMBIS latest by end of May
- All procurements under the workplan need to comply with *World Bank Procurement Regulations for IPF Borrowers* (see paragraph 2.13 above), in order for the expenditure to be eligible under the loan. This means that all recruitment and all service contracts need prior approval from the World Bank for (i) The applicable Terms of Reference, (ii) the tender/recruitment documents and (iii) tender evaluation report prior to contract award.
- Government of Nepal will pre-finance all expenditures and reimbursement from the Loan account is claimed on the basis of **trimestral** Statements of Expenditure (for all three components) along with physical progress reports; Reimbursement claims require approval from the World Bank.
- Annual unaudited project accounts shall be submitted to World Bank within 6 months from the end of financial year.
- The project financial statements, including the SOEs from the MUNICIPALITYs, will be audited by the Office of the Auditor General (OAG). The external audit report for each year of project implementation, including the audit opinion on local level project implementation, will be submitted to the IDA within nine months from the end of each FY. MoUD is to liaise with the OAG to ensure that this audit is done in a timely manner.

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FY	Trimester	Narrative of the activity
FY 2020/21 (Nov - Jul)	1 <sup>st</sup> trimester	<ul style="list-style-type: none"> <li>▪ Mobilization of the NUGIP team</li> <li>▪ Recruitment of local consultants to be added to the team</li> <li>▪ Finalize recruitment of the PMST</li> </ul>
	2 <sup>nd</sup> trimester	<ul style="list-style-type: none"> <li>▪ Mobilization PMST</li> <li>▪ Start recruitment of the two UDSTs</li> <li>▪ Conduct GAC assessment - 4 municipalities</li> </ul>
	3 <sup>rd</sup> trimester	<ul style="list-style-type: none"> <li>▪ Announce GAC assessment results for 1-4 municipalities</li> <li>▪ Consolidate UDG and other (C-2 and C-3) cashflow requirements for FY 2021/22</li> <li>▪ Ensure required budgets are included in the GoN budget for FY 2021/22</li> <li>▪ Provide MoF with required instructions for 1<sup>st</sup> trimester next FY UDG transfers</li> <li>▪ Finalize recruitment of the two UDSTs</li> </ul>
FY 2021 /22	1 <sup>st</sup> trimester	<ul style="list-style-type: none"> <li>▪ Prepare a 3<sup>rd</sup> trimester past FY progress report for the World Bank by 31/8</li> <li>▪ Submit unaudited project accounts to World Bank by 15/10</li> <li>▪ Monitor municipalities for UDG compliance through the standardized mechanisms</li> </ul>
	2 <sup>nd</sup> trimester	<ul style="list-style-type: none"> <li>▪ Review municipaland UDST progress reports 1<sup>st</sup> trimester and provide feedback</li> <li>▪ Provide MoF with required documentation/instructions for UDG transfers</li> <li>▪ Prepare a consolidated 1<sup>st</sup> trimester progress report for the World Bank by 31/12</li> <li>▪ Monitor municipalities for UDG compliance through the standardized mechanisms</li> <li>▪ Conduct GAC assessment for all 17 municipalities (GAC #1 and #2 only)</li> </ul>

Comment [JIP22]: PCO to review

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FY	Trimester	Narrative of the activity
FYs 22/23 - 23/24 - 24/25	3 <sup>rd</sup> trimester	<ul style="list-style-type: none"> <li>Review municipaland UDST progress reports 2<sup>nd</sup> trimester and provide feedback</li> <li>Provide MoF with required documentation/instructions for UDG transfers</li> <li>Prepare a consolidated 2<sup>nd</sup> trimester progress report for the World Bank by 30/4</li> <li>Monitor municipalitiesfor UDG compliance through the standardized mechanisms</li> <li>Announce GAC assessment results for all 17 municipalities</li> <li>Consolidate UDG and other (C2 and C3) cashflow requirements for FY 2022/23</li> <li>Present a consolidated workplan &amp; budget for FY 22/23 to World Bank (by 30/4)</li> <li>Ensure required budgets are included in the GoN budget for FY 2022/23</li> <li>Provide MoF with required instructions for 1<sup>st</sup> trimester next FY UDG transfers</li> </ul>
	1 <sup>st</sup> trimester	<ul style="list-style-type: none"> <li>Review Municipaland UDST progress reports for 3<sup>rd</sup> trimester and provide feedback</li> <li>Prepare a consolidated 3<sup>rd</sup> trimester/past FY progress report for the World Bank by 31 August</li> <li>Submit unaudited project accounts to World Bank by 15/10</li> <li>Monitor municipalities for UDG compliance through standardized mechanisms</li> </ul>
	2 <sup>nd</sup> trimester	<ul style="list-style-type: none"> <li>Conduct GAC assessment for all 17 municipalities (except in FY 2024/25)</li> <li>Monitor municipalities for UDG compliance through the standardized mechanisms</li> </ul>
	3 <sup>rd</sup> trimester	<ul style="list-style-type: none"> <li>Announce GAC assessment results for all 17 municipalities (except in FY 2024/25)</li> <li>Consolidate UDG and other (C2 and C3) cashflow requirements for next FY</li> <li>Present a consolidated workplan &amp; budget for next FY to World Bank (by 30/4)</li> <li>Ensure required budgets are included in the GoN budget for next FY</li> <li>Monitor municipalities for UDG compliance through the standardized mechanisms</li> </ul>
	1 <sup>st</sup> trimester	<ul style="list-style-type: none"> <li>Review municipalityand final UDST progress reports for 3<sup>rd</sup> trimester</li> <li>Prepare a consolidated 3<sup>rd</sup> trimester / past FY progress report for the World Bank by 31/8</li> </ul>
	2 <sup>nd</sup> trimester	<ul style="list-style-type: none"> <li>....</li> <li>Prepare project completing report</li> <li>Facilitate preparation of final audit report</li> </ul>

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## 8. NUGIP Institutional context at Federal level

Comment [JIP23]: PCO to review

### 8.1 Introduction

The objective of NUGIP is to help prepare the participating urban municipalities in adequately fulfilling the urban functions that are devolved to them. Even before the federal constitution such functions may officially have been part of their mandates (such as urban development planning), in practice the municipalities were not taking care of these functions because the financial resources were lacking. This has all changed as part of the new constitution where funding follows functions. The LLs are provided with funds to ensure they are able to deliver according to the mandates given to them.

In the Intergovernmental Fiscal Arrangements Act (IFAA), four different types of federal government grants for municipalities are distinguished:

- Fiscal Equalization grant;
- Conditional grants (usually sectoral conditional grants);
- Complementary grants; and
- Special Grants. [\[Do we need it here?\]](#)

NUGIP is piloting the principle of a conditional sector grant for urban development. As such, section 9. of the IFAA is relevant (see Textbox 6.1)

#### Textbox 6.1 : Conditional grants as described in the IFAA

The Inter-Governmental Fiscal Arrangements Act (IFAA, 2017) describes the provisions for a Conditional Grant, such as the Urban Infrastructure Development Grant (UDG), as follows<sup>5</sup>.

(1) The Government of Nepal shall provide conditional grants to the State and Local Levels to implement any project of the State [understood to mean 'province'] or Local Level or the Government of Nepal on the basis as prescribed by the National Natural Resources and Fiscal Commission pursuant to Clause (c) of Sub-Article (1) of Article 251 of the Constitution, which states as one of the tasks of the commission is "to conduct study and research work and prepare parameters as to conditional grants to be provided to the State and Local Governments in accordance with national policies and programs, norms/standards and the situation of infrastructures".

(2) The Government of Nepal may, while providing conditional grants under the above Section (1), specify necessary terms and conditions in relation to the implementation of the project and the concerned State ['province'] and Local Level shall abide by such terms and conditions. [\[Do we need it to explain in PIM?\]](#)

The IFAA states that the federal government can provide grants to local levels for specific well describe purposes, within the overall set of guidelines as specified by the National Natural Resources and Fiscal Commission (NNRFC). Government, usually through a sector ministry, may provide specific guidelines on how to use the grant, provided the Ministry does not interfere with the autonomy of the municipalities in terms of its own decision making. Hence, LLs are free to take the grants (or not), but if accepted are also obliged to follow the guidelines as set out by the responsible ministry.

For the Urban Development Grant, Municipalities show their readiness to accept the grant by signing the Grant Participation Agreement (See Annex 1) and commit to abide by the rules set for the grant by MoUD.

This PIM sets out the rules for the UDG grant, as issued by the federal ministry of MoUD. As the UDG is the core of NUGIP, the institutional arrangements for the project at the federal level are very much related to the functions of various government agencies in dealing with intergovernmental fiscal grants.

<sup>5</sup> The Constitution of Nepal (2016), translation by Ministry of Law, Justice and Parliamentary Affairs. The word 'State' as used in the Act is understood to mean 'Province'.

## 8.2 Project-related institutional arrangements

As much as possible, NUGIP uses and supports systems and procedures by the Government of Nepal. As the GoN pre-finances NUGIP expenditure, the GoN rules and regulations apply. However, for such expenditures to be eligible for reimbursement under the NUGIP loan all expenditures must meet standards and criteria as set out in the PIM and as summarised once again in the next chapter (Chapter 7). [\[Is it required here \(repetition\)?\]](#)

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As NUGIP is premised on intergovernmental fiscal grants (grants from one level of government to another), NUGIP abides by the roles of the line ministries and agencies in dealing with conditional sector grants (and which is clearly different from the way line ministries were previously dealing with project funding).

For example, it will formally be the Ministry of Urban Development that will ask for release of conditional grants. At the same time, as managing a sector grant is a ministerial responsibility, there will be a 'dedicated NUGIP team in MoUD (but not a project implementation unit). As indicated in the previous chapters, the bulk of the NUGIP funded implementation will be done by the 17 participating MUNICIPALITIES, with the MoUD, and notably the DUDBC ensuring that the MUNICIPALITIES abide to the rules of the PIM such that GoN is able to get is reimbursed through the IDA loan.

In fact, only two project-specific institutional arrangements apply at the national level:

- The NUGIP steering committee; and
- The NUGIP dedicated facilitation team, as described in previous chapter.

## 8.3 Project Steering Committee

The NUGIP steering committee at federal level serves as its policy making and inter-ministerial coordination body. Its members are:

- |  |                  |
|--|------------------|
| ▪ Secretary MoUD   | chairperson      |
| ▪ Director DUDBC   | member           |
| ▪ MoF, Chief of Budget and Program Division  | member           |
| ▪ MoF, International Economic Cooperation and Coordination Division  | member           |
| ▪ MoF, Fiscal Federalism Coordination Division   | member           |
| ▪ MoF, FCGO  | member           |
| ▪ MoFAGA, joint secretary  | member           |
| ▪ Ministry of Water supply / DWSSM, joint secretary  | member           |
| ▪ Ministry of Physical Infrastructure and Transport / DoR, joint secretary   | member           |
| ▪  |                  |
| ▪ 2 mayors of participating municipalities, 1 for eastern & 1 for western cluster members <a href="#">on rotational basis for 1.5 years each</a> |                  |
| ▪ World Bank representative(s)   | observer         |
| ▪ NUGIP Project Director / Coordinator   | member-secretary |

\* [The Chairperson may order to invite representative of MoLESS and others as required](#)

The steering committee will meet twice a year, ideally early March after the GAC assessment has been completed, and in September to discuss the draft consolidated annual report prior to submission to the World Bank. A draft Terms of Reference for the Steering committee is provided in Annex 6

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#### 8.4 Federal level Dedicated NUGIP Team (within the MoUD)

The second project specific institutional arrangement is the 'light and non-formal' dedicated unit within the Department of Urban Development to deal with all oversight and reporting issues related to NUGIP on behalf of the Ministry. The staffing of the Unit and its tasks were detailed in the previous chapter as well as in Annex 2.

#### 8.5 Federal Stakeholder parties

Below is provided a brief overview of the federal level NUGIP institutional stakeholders and their specific role in the project. All these stakeholders are members of the steering committee.

#### 8.6 Ministry of Urban Development (MoUD) and notably the DUDBC

On behalf of the Government of Nepal, the Ministry of Urban Development (MoUD) is the custodian of NUGIP. For GoN, the MoUD is the primary coordinating agency for the Project, and responsible for overseeing project implementation, supervision and coordination. Within the Ministry, these tasks are further delegated to the Department of Urban Development and Building Construction (DUDBC).

The Ministry is responsible for oversight of the use of the urban development grant by the municipalities as well as responsible for the implementation of components 2 and 3.

With regards to component-1 and 3, the role of MoUD is to ensure compliance with the rules as set for the grant and ensure overall effective implementation of the project across municipalities.

#### 8.7 Ministry of Finance (MoF)

Apart from being the signatory of the Financing Agreement with IDA for the NUGIP loan, the Ministry of Finance has also an important role in terms of the annual budget process for both the UDG and the amounts for components 2 and 3, as well as for the **trimestral** releases of the same. Different divisions and central offices are involved.

##### ***International Economic Cooperation Coordination Division (MoF/IECCD)***

With the perspective of IDA assistance in NUGIP, MoF/IECCD plays an important role for making any required adjustment in the foreign assistance budget, for example, in budget **virements**<sup>[2]</sup>, release recommendations etc.

##### ***Budget and Programme Division (MoF/BPD)***

MoF/BPD plays vital role in programming and budgeting of NUGIP. After receiving the Annual Work Plan and Budget (AWPB) from MoUD/DUDBC, through the National Planning Commission (NPC), the Budget and Programme Division checks the AWPB against the available budget ceiling and its coherence with GoN policies, including the perspective of fiscal transfers. The checking process includes aspects of fiscal discipline, expenditure control, mid-term expenditure and budget frameworks, inter-alia, GoN's budgeting principles. So, MoF/BPD has a crucial role in AWPB approval.

##### ***The Fiscal Federalism Coordination Division (MoF/FFCD)***

The MoF/FFCD is a newly created division that will, in coordination with the concerned line ministries, prepare and coordinate work in MoF around the Provincial and Local Grants Red Book, which is a separate budget document. The MoF/FFCD plays hence an important role in the budgeting for and releases of the UDG. During the transition, part of the tasks previously played by the MoF/BPD may be

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redistributed between these two divisions, with as a result that the FFCD will be most important for Component-1 whilst BPD deals for MoF with components 2 and 3.

#### **Financial Comptroller General Office (FCGO)**

The Office of the Financial Comptroller General (FCGO), is the main government agency for Public Financial Management (PFM) and as such also responsible for the Treasury operation within the Government of Nepal. At sub national level the FCGO has 75 District Treasury Comptroller Offices (DTCOs) that serve as outlets for the single treasury system (of which the LLs are part). The FCGO and the DTCOs are crucial for the MUNICIPALITIES to be able to access the Urban Development Grant. In addition, the DTCOs may provide the internal audit function if it is agreed between the DTCO and the MUNICIPALITY.

#### **8.8 National Natural Resources and Fiscal Commission**

Whereas the Ministry of Finance is tasked with the day-to-day PFM operations, the National Natural Resources and Fiscal Commission (NNRFC) is, as shown in Text Box 6.1, amongst others tasked with setting the generic rules of the game for inter-governmental fiscal transfers. As NUGIP is piloting a conditional sector grant, that would generate lessons and could be replicated in other sectors, the NNRFC is a key stakeholders, especially with regards to assisting in further developing the functionality of sectoral grants, in this case a sectoral grant for urban infrastructure development.

#### **8.9 The National Planning Commission (NPC)**

The NPC provides guidance and advice, and may assist sectoral ministries, departments, other agencies and local bodies in the preparation of plans and projects. At least during the transition towards a roll out of the provisions of the Constitution, the NUGIP Annual Work Plan and Budget (AWPB) may need to be submitted to the NPC prior to submission to the MoF. This may change in future.

#### **8.10 Ministry of Federal Affairs and General Administration**

The Ministry of Federal Affairs and General Administration (MoFAGA) remains an important federal ministry for sub-national governments, notably with regards to policy setting and clarifying functions and mandates for each level of government. For the reason, the Ministry is represented in the Project Steering Committee, even though it does not have pre-determined roles in the implementation of NUGIP.

#### **8.11 Relevant technical line Ministries**

For the same reason, both the Ministry of Water Supply (MoWS) through its Department of Water Supply and Sewerage management (DWSSM) and the Ministry of Physical Infrastructure and Transport, through its department of Roads, are represented in the NUGIP Steering committee as the majority of selected projects are expected to resort under the technical purview of these ministries/departments.

#### **8.12 Provinces involved in NUGIP**

The provincial tier of government under the federal system was the last to be operationalised. The mandate of the provinces is still somewhat fluid and so far the attention has been on establishing and operationalising the Local Level Units.

However, as per section 9.3 of the IFAA, the provinces can also make conditional grants to Local Levels, and surely, the provinces will have interest in sound urban development to

**Comment [JIP24]:** PCO to review, probably better to work with the provinces on the ground, not in steering committee

spur regional development. This not the least because the provincial capitals usually coincide with the largest urban local government in each province.

Hence, and as much as their roles in NUGIP as defined as limited, it is not excluded that over a 6-year timespan their importance will increase and that they would become natural partners in securing urban development functions. For that reason, it is foreseen that in the steering committee the concerned provinces are represented by two members, so that issues of coordination between the various levels of government with regards to urban development can be appropriately dealt with.

### **8.13 Project audits and the role of the Office of the Auditor General**

The dedicated NUGIP unit in DUDBC will, based on the inputs as provided by the municipalities, prepare the annual project accounts in consultation with the FCGO, which are then to be signed off by the Office of the Auditor General (OAG), usually within 9 months from the end of the FY.

The OAG conducts audits of all municipalities and consolidated project accounts will then be audited at Federal (MoUD/DUDBC) level leading to an audit opinion on the consolidated project account.

The OAG will issue a management letter for each municipality as well as for the consolidated account, for internal control and other observations, if any.

## 9. Monitoring and Evaluation

### 9.1 Regular (day-to-day) monitoring

Day-to-day monitoring of the UDG activities by the municipalities is built into operational provisions as detailed in the previous chapters. Tables 2.6, 2.7 and 2.8 (in Chapter 2) describe what type of documents and reports municipalities have to present to DUDBC/MoUD in order to move to the next step, procure or make payments. The mechanisms for DUDBC/MoUD to continuously monitor were summarised in Table 5.2 copied below as Table 7.1.

Table 7.1: Mandatory submissions by municipalities allowing continuous monitoring by MoUD/DUDBC		
Type	Submissions by municipalities	Action by MoUD/DUDBC
Plans and detailed designs	<ul style="list-style-type: none"> <li>3-year UDG urban development investment plan [ This is not mandatory, but strongly recommended]</li> </ul>	<ul style="list-style-type: none"> <li>Provide a go-head to the municipality</li> </ul>
	<ul style="list-style-type: none"> <li>Detailed designs and costing for UDG sub-projects</li> </ul>	<ul style="list-style-type: none"> <li>No objection of both DUDBC and WB required</li> <li>DUDBC to process no objection request to WB</li> <li>Done by email correspondence</li> </ul>
Trimestral progress reporting	<ul style="list-style-type: none"> <li>Municipalities to submit trimestral UDG progress reports (physical and financial) within one month after the end of the trimester</li> </ul>	<ul style="list-style-type: none"> <li>DUDBC               <ul style="list-style-type: none"> <li>has right to ask further clarification</li> <li>is entitled to provide suggestions</li> <li>Can only stop next trimestral transfer on basis of evidence of serious non-compliance</li> <li>Needs to submit a NUGIP consolidated progress report to the WB within 2 months after the end of a trimester</li> </ul> </li> </ul>
Procurement	<ul style="list-style-type: none"> <li>Municipalities require a no objection for every contract to be funded under UDG</li> </ul>	<ul style="list-style-type: none"> <li>DUDBC               <ul style="list-style-type: none"> <li>To endorse the tender documents, with special attention to evaluation criteria</li> <li>To endorse the tender evaluation report prior to a contract being issued by the municipality</li> <li>Request a no objection from World Bank through STEP</li> </ul> </li> </ul>
Payments	<ul style="list-style-type: none"> <li><u>Request for payment with documents that prove the quantity of work that has been done satisfactory?</u></li> </ul>	<ul style="list-style-type: none"> <li>No objection ?</li> </ul>
GAC assessment	<ul style="list-style-type: none"> <li>Municipalities are assessed annually</li> </ul>	<ul style="list-style-type: none"> <li>Non-compliance with any GAC criteria leads to exclusion from receiving the UDG/LIPW grant next FY</li> </ul>

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### 9.2 Periodic monitoring

In addition to the regular monitoring, there are also provisions for periodic progress monitoring amongst others via:

- Annual internal progress reviews, guided by the NUGIP unit in DUDBC, as part of the process of preparing annual reports for submission to the World Bank;
- A Mid-Term Review in the third year of the project which is to help to make necessary changes to the project design as well, notably with regards to components 1, 2 and 3.

MoUD/DUDBC is responsible for sourcing, recruitment and contracting of the MTR consultants, but Terms of Reference and contract award will need a no objection of the World Bank.

### 9.3 Overview of reporting requirements

The table below provides a summary overview of all reporting requirements as mentioned in the previous sections of this PIM.

Table 7.2: Reporting requirements			
#	Type of Report	Deadline	Submitted to
<b>Municipalities</b>			
1.	Projection UDG cash flow requirement for next year	15 <sup>th</sup> April	DUDBC
2.	Trimestral progress reports	Within 30 days after end of the trimester	DUDBC
3.	Internal audit reports	Within 30 days after end of the trimester	DUDBC
4.	UDG cash flow requirement for trimester	With progress report	DUDBC
<b>DUDBC</b>			
5.	NUGIP Annual workplan	30 <sup>th</sup> April	WB
1.	Projection UDG cash flow requirement for next year	30 <sup>th</sup> April	MoF
2.	UDG cash flow requirement for the trimester	Latest 45 days into the trimester	MoF
6.	Trimestral progress reports	Within 45 days after end of the trimester	WB
7.	IUFR	Within 45 days after end of the trimester	WB
8.	Statement of Expenditures	Within 45 days after end of the trimester	WB
<b>Office of the Auditor General</b>			
	NUGIP annual audit report		WB via MoUD
<b>Other agencies</b>			

**Comment [JIP25]:** Review with PAD

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**Comment [JIP26]:** Update with final results framework and include LIPW indicators

### 9.4 Main Performance Indicators

Both the annual review (annual report) as well as the MTR will pay particular attention to assess achievements against the so-called Project Development Objective (or PDO) performance indicators as set out in the Project Appraisal Document (PAD), and which are formulated as follows :

- o The participating municipalities that have qualified for the Urban Development Grant (by meeting the Grant Access Conditions) receive the trimestral allocations in a timely manner;
- o The municipalities that receive funds are able to spend it in the course of the year, hence have an annual UDG utilization rate as close as possible to 100% meaning both the budgeting was accurate and the implementation effort satisfactory; and
- o The number of UDG funded sub-projects that have been planned and executed in response to citizen and service delivery needs.

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- The number of people that have gained improved urban living conditions as a result of the project, as assessed by improvements in provision of core municipal services such as drinking water supply, wastewater management, municipal roads and storm water drainage.

It is against these indicators that the success of the project will be measured.



## 10. Compliance requirements and Risk Mitigation

This chapter recalls and summarises the various compliance conditions for UDG expenditure to be eligible for reimbursement under the NUGIP loan. At the same time, it provides an overview of various mechanisms that will help to mitigate the risk of limited value for money and misuse of funds.

### 10.1 Sub-projects to be relevant and technical sound

Following the Grant Access Conditions (as described in sections 2.3 and 2.4), municipalities will only get access to the UDG-grants provided they have followed the project identification and selection process, followed by the feasibility study and assessment against the Environment and Social Management Framework (ESMF). This means that NUGIP will only release funds that have been properly identified, involving stakeholder consultations, and that are technically sound. Without meeting the GAC criteria, municipalities would simply be denied access to the grant. Hence, this risk is well contained.

### 10.2 Proper Financial management

Expenditure under NUGIP will be pre-financed by the Government of Nepal and as such follow all the financial management requirements as set by the Ministry of Finance / Financial Comptroller General's office (FCGO).

For further details around financial management, please referred to NUGIP Financial Management Procedures Manual, available as separate document, referred to in Vol II, Annex 20.

For expenditure to be eligible for reimbursement under the loan, all FCGO rules and regulations must have been observed. Compliance with the GoN PFM rules, notably with regards to timely and comprehensive reporting, is part of the GAC assessment.

### 10.3 Following Procurement procedures

For expenditures to be eligible, all procurement must comply with the *World Bank Procurement Regulations for IPF Borrowers*, dated July 2016, most recently revised in August 2018. This document is available on the following website and is considered an integral part of the PIM :

<http://pubdocs.worldbank.org/en/178331533065871195/Procurement-Regulations.pdf>

Municipalities are under the obligation to disseminate procurement information and publicise on websites and notice boards (i) the procurement plans; and (ii) awards of contract and (iii) list of contracts completed.

Adherence to the guidelines and to the obligation of disclosures is verified through (i) the annual GAC assessment (see section 2.8 and 2.9 above); through (ii) the audits and through (iii) Procurement Post Reviews (PPR) that the World Bank procurement staff may carry out.

### 10.4 ESMP mitigation measures and other safeguard requirements

As for the condition of 'being relevant and technically sound', all sub projects that are cleared for funding under the UDG must have met those conditions (as otherwise it would not have met the GACs and excluded from funding).

However, something that will be systematically followed up during project implementation is the adherence to the ESMP developed for each sub-project, which outlines describes the required measures to mitigate against potential environmental and social risks and impacts. This includes requirements outlined under subproject RAPs, VCDPs and GBV Risk Mitigation Action Plans.

Municipalities that are found in default of those measures will be excluded from the UDG funding till the moment they comply (or otherwise risk to lose the funds for project completion).

### 10.5 Provision for Corruption mitigating measures

NUGIP adheres to the principle of zero tolerance to corruption. Being a GoN implemented programme, with implementation responsibilities at both the federal level, notably by MoUD/DUDBC, and the local level for the use of the grants, all GoN anti-corruption measure and mechanisms apply, the most important being the Commission for Investigation of Abuse of Authority (CIAA), which is an apex constitutional body for corruption control for the Government of Nepal.

In addition to the GoN provisions to prevent corruption, also the World Bank's anti-corruption guidelines apply, which means that actions can be taken against suppliers of goods and services (firms and individuals) that engage in sanctionable offenses under Bank funded projects.

Given the foregoing, under NUGIP, no firm or individual shall be engaged in a contract if it has been debarred by the World Bank.<sup>6</sup>

The World Bank anti-corruption guidelines are available online, both in the formal format:

[https://policies.worldbank.org/sites/ppf3/PPFDocuments/40394039anti-corruption%20guidelines%20\(as%20revised%20as%20of%20july%201,%202016\).pdf](https://policies.worldbank.org/sites/ppf3/PPFDocuments/40394039anti-corruption%20guidelines%20(as%20revised%20as%20of%20july%201,%202016).pdf)

as well as in a more user friendly pamphlet version :

<https://www.worldbank.org/content/dam/documents/sanctions/other-documents/osd/User%20Friendly%20Version%20of%20the%20Anti-Corruption%20Guidelines.pdf>

### 10.6 Prevention of Sexual exploitation, abuse and harassment

The World Bank Group has a strong commitment to providing a safe working environment, free from harassment and abuse. This commitment is enshrined in its Code of Conduct and rules about Reporting Sexual Harassment or Sexual Exploitation and Abuse. Protecting people against sexual harassment, abuse and exploitation is directly linked to the institution's mission of ending poverty and promoting shared prosperity.

Equally, all IDA funded projects, like NUGIP, are to put in place Sexual exploitation, abuse and sexual harassment (SEA/SH) mitigation measures (see Table 8.1) that includes the preparation of a SEA/SH prevention and response-action plan a schedule for which is attached at Annex 25 in Vol II.

<sup>6</sup> Lists of debarred companies and individuals can be found on [www.worldbank.org/debar](http://www.worldbank.org/debar).

Table 8.1 : Project Specific SEA/SH Mitigation Measures	
E&S Documents	<ul style="list-style-type: none"> <li>SEA/SH mitigation measures will be included in the overall project design including in the identification phase of ESF process, in the concept stage of ESA, ESCP and in the appraisal phase of ESIA, ESMF/Ps and C-ESMP with Codes of conduct (CoC) attached</li> </ul>
Sensitization and Awareness	<ul style="list-style-type: none"> <li>Mass awareness and consultation on SEA/SH prevention measures to communities and workers</li> <li>SEA/SH zero-tolerance signs inside the campsite and in the worksite along the highway</li> </ul>
Human Resource	<ul style="list-style-type: none"> <li>The client will hire Gender specialist with GBV experience to implement, advise, report on and monitor SEA/SH action plan during project implementation</li> <li>SEA/SH codes of conduct of Client/Contractor/labor set out procedures to be followed for holding individuals accountable and penalizing staff that have violated SEA/SH policies and code of conduct</li> </ul>
Budget Allocation	<ul style="list-style-type: none"> <li>Budget will be allocated to all activities mentioned in the SEA/SH mitigation action plan</li> </ul>
Codes of Conduct	<ul style="list-style-type: none"> <li>Contractors and Supervision Consultant are required to submit, in the bidding, SEA/SH prevention and response plan and CoCs with specific social sanctions in case of breach of CoCs</li> <li>CoCs for each Client, the Contractors and individual labor will be developed. Supervision Consultant will facilitate in reading, understanding and signing of the CoCs by each labor/worker</li> <li>Proper arrangement and establishment of 24 hours well-lit project site and campsites including WASH, childcare facilities, sleeping area.</li> <li>Orientation and training on SEA/SH and CoCs will be provided to contractors, subcontractors, labors, workers, supervisors.</li> </ul>
Response Mechanism	<ul style="list-style-type: none"> <li>Develop SEA/SH Prevention and Response Action Plan of Client and contractors with accountability framework</li> <li>Awareness about and coordination with the 24-hour, toll-free GBV Helpline "Khabar Garau 1145" which is being supported by the World Bank and implemented by NWC. (see <a href="http://www.nwchelpline.gov.np/">www.nwchelpline.gov.np/</a>)</li> <li>SEA/SH Action Plan will be developed to identify the issues, stakeholders, possible service providers and assess their capacity and all other essential activities throughout the project cycle to mitigate SEA/SH incidences</li> </ul>

## 10.7 Complaints handling, Grievances redress and whistle blowing

~~Under a project like NUGIP, there can be complaints and grievances at many different locations and many different levels. In all subprojects, a grievance redress mechanism (GRM) will be available for project stakeholders to submit any questions, concerns or grievances. Following the ESMF there shall be a Committee to address Grievances.~~ Where possible, the subproject will draw on any existing mechanisms for redressing grievances, and as part of developing ESIA for subprojects, any existing mechanisms for grievance redress will be identified.

The ESMF outlines the process for addressing and resolving grievances within subprojects. In a first instance, such complaints should be addressed to either the ward office or to the directly involved manager, by phone, email, the website, by letter or direct communication. Municipalities are under the obligation to publicise (amongst others on their websites) contact details with phone numbers and email addresses of persons that can be contacted in case of complaints and grievances.

If this does not lead to a satisfactory result, all grievances, including environmental and social issues are to be submitted to the municipality's judicial committee (Nyayik Samiti). ~~The Nyayik Samiti is a 3-member committee being composed of the deputy mayor and 2 persons from the executive committee and/or wards.~~ The third

level of escalation is the head of the dedicated NUGIP team in DUDBCD (see inside cover page for contact details) or other senior members of staff within MoUD. Grievances are, of course, also able to approach the judicial system at any time.

Specifically for NUGIP, the MoUD/DUDBC will operationalize a complaints management system, and a window to deposit complaints will be opened at the MoUD/NUGIP website ([www.moud/nugip.gov.np](http://www.moud/nugip.gov.np)), whilst complaints can also be addressed (by email, letter or direct communication) to the NUGIP coordinator or another assigned officer (contact details to be shared on the website). On the web site, a standard complaints form will be made available.

The dedicated NUGIP facilitation team will design a procedure to respond to each complaint within two weeks maximum. In addition, it will keep a log of all complaints received and the way they were handled. The log will show the date the complaint was received, the medium by it was received, the nature of the complaint and action that was taken. An extract of the log will be annexed to the annual NUGIP report that is presented to the World Bank.

In the event that an allegation refers to fraud or corruption of bidders, and where allegations are shown to be valid, sanctions shall be imposed as per the relevant government instructions.

Individuals who choose to report allegations of fraud or corruption may do so anonymously. In such cases, however, the investigation of the complaint is made significantly more difficult, since there is no opportunity to seek any clarifying information from the complainant. Alternatively, complainants may request that their identity not be disclosed outside of any investigating team or ask for witness protection in case the matter is prosecuted. In all cases, if so requested, whistle blowers will be given assurance that their safety is guaranteed and that the source of information shall remain confidential.

Communities and individuals who believe that they are adversely affected as a result of NUGIP, as defined by the applicable policy and procedures, may submit complaints through the above project grievances redress mechanism and where these avenues have been exhausted, may access the World Bank's Grievance Redress Service (GRS). Where the grievance is still unsatisfactorily resolved, they may submit a complaint to the Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures (See [www.worldbank.org/GRS](http://www.worldbank.org/GRS) or [www.inspectionpanel.org](http://www.inspectionpanel.org), respectively for more info; Also note that Chapter 9 of the EFMD - See Annex 10 in Volume II- has more info on the grievances redress mechanism).

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Kathmandu, 30 April 2020

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