PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project
THE GEF TRUST FUND

Submission Date: Sept 22, 2009
Resubmission Date: 3 November 2009

PART I: PROJECT IDENTIFICATION

GEF PROJECT ID[1]: 4130 **PROJECT DURATION: 50** months
GEF AGENCY PROJECT ID: TBD
COUNTRY(IES): Nepal
PROJECT TITLE: Kathmandu Sustainable Urban Transport (SUT) Project
GEF AGENCY(IES): Asian Development Bank
OTHER EXECUTING PARTNER(S): Ministry of Physical Planning and Works (MPPW)
GEF FOCAL AREA (S)[2]: Climate Change
GEF-4 STRATEGIC PROGRAM(S): SP5 – Promoting Sustainable Innovative Systems for Urban Transport
NAME OF PARENT PROGRAM/UMBRELLA PROJECT (if applicable**):** NONE

INDICATIVE CALENDAR*	
Milestones	**Expected Dates mm/dd/yyyy**
Work Program (for FSP)**	Jan 2010
CEO Endorsement/Approval	Sep 2010
Agency Approval Date	Oct 2010
Implementation Start	Nov 2010
Mid-term Evaluation (if planned)	Nov 2012
Project Closing Date	Dec 2014

* See guidelines for definition of milestones.
** Targets the Intersessional WP that follows the Nov 09 Council WP

A. PROJECT FRAMEWORK

Project Objective: To decrease the rate of GHG emissions from Nepal's transport sector through energy efficient and clean energy urban transport solutions

Project Components	Indicate whether Investment, TA or STA[b]	Expected Outcomes	Expected Outputs	Indicative GEF Financing[a]		Indicative Co-Financing[a]		Total ($) c =a + b
				($) a	%	($) b	%	
Planning, capacity building and other policy implementation support activities	TA	Strategic Vision on sustainable urban transport for Kathmandu refined/ implemented	Strategic vision developed during the preparatory phase is refined/implemented through multi-stakeholder consultation processes Route rationalization for public transport; franchise reorganization; traffic management system enforcement to improve the public transport system	600,000	60.0	400,000	40.0	1,000,000
		Enhanced capacity to implement and monitor the Strategic Vision	Implementation of support policy reforms and regulatory measures required by the Strategic Vision					
		Enhanced awareness on sustainable urban	Training-workshops and capacity development programs conducted for central and local government staff, private sector					

[1] Project ID number will be assigned by GEFSEC.
[2] Select only those focal areas from which GEF financing is requested.

		transport in Kathmandu	partners and other stakeholders Information, education and communication programs to increase awareness and support for the vision and sustainable urban transport					
Design of sustainable transport infrastructure	TA	Public transport systems promoted and better managed Sustainable urban transport designed in accordance with the Strategic Vision Design and feasibility studies developed for priority urban infrastructure	Detailed design of the Public Transport terminal Detailed design of traffic management system in central areas including private vehicle restraint, parking facilities, vehicle registration and enforcement measures Detailed design of upgraded pedestrian facilities and expansion in the Kathmandu city center Bus fleet improvement through fleet renewal, including assessment and promotion of low-carbon vehicle technologies employing electricity and alternative fuels	200,000	16.7	1,000,000	83.3	1,200,000
Development of sustainable urban transport infrastructure	Investment	Modal shift from private transport to pedestrian footpaths and public transport systems	Construction of new Public Transport terminal Local area road management improvements Construction of pedestrian facilities -upgrading and expansion in the Kathmandu city center Development of on- and off-street parking facilities	1,800,000	7.6	22,000,000	92.4	23,800,000
Project management				218,182	12.0	1,600,000	88.0	1,818,182
Total project costs				2,818,182		25,000,000		27,818,182

[a] List the $ by project components. The percentage is the share of GEF and Co-financing respectively of the total amount for the component.
[b] TA = Technical Assistance; STA = Scientific & Technical Analysis.

B. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE and by NAME (in parenthesis) if available, **($)**

Sources of Co-financing	**Type of Co-financing**	**Project**
Project Government Contribution	In-kind/Cash	5,000,000
GEF Agency(ies)	Soft loan and/or grant	20,000,000
Private Sector		
Others		
Total Co-financing		25,000,000

C. INDICATIVE FINANCING PLAN SUMMARY FOR THE PROJECT ($)

	Previous Project Preparation Amount (a)*	Project (b)	Total c = a + b	Agency Fee
GEF financing	0	2,818,182	2,818,182	281,818
Co-financing		25,000,000	25,000,000	
Total	0	27,818,182	27,818,182	281,818

***** No request for PPG will be made; ADB and government will fully finance the design of the project.

D. GEF RESOURCES REQUESTED BY AGENCY (IES), FOCAL AREA(S) AND COUNTRY(IES)[1] NOT APPLICABLE

GEF Agency	Focal Area	Country Name/ Global	(in $)		
			Project (a)	Agency Fee (b)[2]	Total c=a+b
(select)	(select)				
Total GEF Resources			0	2	0

[1] No need to provide information for this table if it is a single focal area, single country and single GEF Agency project.

[2] Relates to the project and any previous project preparation funding that have been provided and for which no Agency fee has been requested from Trustee.

Part II: Project Justification

A. State the issue, how the project seeks to address it, and the expected global environmental benefits to be delivered:

The Issue

The Kathmandu Valley region is seeing a rapid growth in population accompanied by urban sprawl. This trend is accompanied by a high growth rate of private vehicles which is resulting in an increase in the greenhouse gas emissions, problems of congestion, pedestrian/vehicular conflict, environmental degradation and road accidents. The primary factors contributing to urban congestion include the absence of a comprehensive urban transport policy, the lack of a focal agency to oversee public transport, the lack of an efficient and well-planned public transport infrastructure, lack of enforcement in the pedestrian areas and a lack of awareness of the environmental and socio-economic impacts of traffic congestion and the benefits of public transportation. These are further discussed below.

Although Nepal's contribution to global greenhouse gas (GHG) emissions is minimal, transport sector was the biggest contributor of CO_2 emission from fossil fuel consumption in 1994/95[3], accounting for 31% of the total CO_2 emissions, and the amount of emission is expected to be dramatically rising in recent years, considering the rapid increase in the number of vehicles. More than half of the total vehicles in Nepal are registered in Kathmandu, and registered vehicles in Kathmandu have increased by 84% between 2000/01 to 2005/06, according to the Department of Transport Management. If no mitigation measures are taken, GHG emissions in the transport sector are expected to increase eight-fold by 2030 from the 1994/95 level.

In Nepal and specifically in Kathmandu, the barriers to a SUT system include the following:

- *Weak Policies and Regulations*. Currently, there is no strategic vision for SUT for Kathmandu valley. A comprehensive vision is needed to fully recognize and integrate the economic, social and environmental dimensions of the transport sector in policies and regulations both in the short- and long-run scenarios.
- *Limited Public Transport Infrastructure*. Historically, there has been very limited investment in public transportation infrastructure. Existing public transport terminals and facilities are clearly insufficient to address the needs of the growing population.
- *Inadequate Pedestrian Infrastructure*. Kathmandu is currently not geared for walking within the city. Facilities for pedestrians are limited, with motor vehicles competing with pedestrians for the limited road space. Motorist and pedestrian safety within city limits is an important concern.

[3] Government of Nepal. 2004. First National Communication to the United Nations Framework Convention on Climate Change.

- *Multi-modal Transport System is not Supported* - Developing a plan for interfacing the public transport and pedestrian infrastructure e.g. public transport terminals with secure and segregated pedestrian connections is an important component of sustainable urban transport but is not currently supported by policy and existing infrastructure. On- and off-parking strategies and facilities that are consistent with SUT are seriously lacking. Traffic demand management is not in place. This would have restricted vehicle access to certain parts of the city to ensure safety and clean pedestrian areas, while ensuring accessibility through integrated solutions for public transport, non-motorized transport and private vehicles.
- *Lack of Awareness*. While there is general awareness of the problems of urban mobility, there is limited awareness of the socio-economic and environmental impacts of traffic congestion and the benefits from using the public transport system. There is a need to convey this message to policy makers and the general public to make the transformation possible.

Proposed Project

The ultimate objective of the project is to slow down the rate of increase in GHG emissions from Nepal**'**s transport sector through energy-efficient and cleaner public urban transport solutions. This will be accomplished primarily through the refinement and implementation of the SUT Strategic Vision that is currently being formulated. At the core of this project is the improvement and attractiveness of the public transport system to encourage modal shift away from private transport. However, certain core elements of the public transport infrastructure need to be improved to make this shift happen. Currently, the public transport system is plagued by a **"**spiral of decline**"** of under-investment, poor service and deteriorating facilities which are all reducing ridership. There is therefore an urgent need to improve public transport services, facilities and the fleet, including providing a supportive policy and institutional environment.

The GEF support is requested for the development of a SUT system for Kathmandu in a way that will address the barriers described above. The proposed project consists of 3 components, namely: (i) planning, capacity building and other policy implementation support activities; (ii) design of sustainable transport infrastructure; and (iii) development of SUT infrastructure. The results of project would lay the basis for a larger program in Kathmandu valley, with the support of the ADB and other development partners.

In Component 1, the project will provide an enabling environment through planning, capacity building, policy implementation and awareness building on sustainable urban transport. The second component will focus on carrying out detailed designs for various infrastructure facilities and traffic management needed to promote sustainable urban transport. These measures would have been identified in the process of developing the Strategic Vision on SUT, which would be further refined and/or updated in the course of the project implementation. The end-result for the infrastructure is the promotion and better management of public transport system in Kathmandu. The third component will be the implementation of physical investment, which will include the construction of a new public transport terminal, local area road management improvement, pedestrian facilities upgrading and expansion (to include areas such as Thamel and "Heritage Walk") and development of on- and off-street parking facilities.

One of the core elements of this project is to improve the public transport system in the city. Public transport essentially covers all public transport vehicles, including: buses, mini buses, tempos (including electric public transport vehicles -safa tempos of which there are in excess of 600 – probably the largest electric vehicle fleet in the world, certainly as a percentage share of all public transport vehicles). The prime focus for public transport is the city core (Central Business District – CBD) and to provide good public transport facilities and connection to the CBD, thus elevating public transport mode as a "mode of choice" so stemming the migration to private modes of transport. The project will focus on (i) improved public transport facilities (central terminal) and connection within the city center, (ii) improved service coverage area and franchising arrangements for public transport services across Kathmandu and (iii) promotion of low-carbon public transport vehicles.

It is also proposed to design and construct public transport terminals with good pedestrian access as part of this project. Construction of public transport terminals will contribute towards making the public transport system a lot more attractive (making public transport a mode of choice) and contribute to the attractiveness of public transport thus slowing down and even preventing the rapid migration to private modes of transport (motorcycle and cars). The pedestrian linkages to the public transport terminals will also be improved thus providing a safe, attractive and efficient door-to-door service for public transport. The public transport terminal will elevate the status of public transport within the city core and provide

an area where passengers could find comfort and convenience. Thus it is an integral aspect of promoting overall improvements to the public transport system, including, access, fleet upgrade, comfort and egress.

In the area of planning and capacity building the two focus areas of this project are route rationalization and franchise reorganization. Route rationalization and franchise reorganization include examining alternate ways that routes are offered to operators. The current situation is chaotic, resulting in competition between operators on the street, thus making public transport use dangerous and unattractive. The franchising rationalization work will explore alternative solutions to route allocation such as gross-cost concessions/franchises, which move competition between operators to the bidding stage and thus off the street. There are excellent examples where such an approach has significantly improved the overall public transport system and thus increased ridership, often by as much as 20%. Such an increase in ridership reduces the use of private vehicles and thus results in a corresponding reduction in GHGs as public transport have much less emissions per person than private modes of transport.

Expected Global Environmental Benefits

The project aims to implement an integrated SUT strategic vision which can effectively mitigate GHG emissions. Specifically, it envisions to create new (or improved), safe and convenient infrastructure and implement relevant institutional and regulatory changes to support modal shifts towards non-motorized and public transport system. An estimate of GHG reduction from the project will be made during project preparation. Pending such estimate, it is projected that without GEF support, GHG emissions from the transport sector are likely to increase unabated over the next 20 to 30 years. The local co-benefits will include increased safety for all road users, improved accessibility to transport particularly for the low income, school children and disadvantaged groups, reduced traffic congestion, and reduced environmental costs (air and noise pollution) from urban transport.

B. Consistency of the project with National Regional/Priorities/Plans

There is growing concern within the government that the transport situation is getting worse and measures to address the problem are not successful. The government at all levels is keen to seek assistance to address this issue and develop SUT policies and projects that take a long-term view for travel demand management in the city.

Discussions in this regard have been held with Ministry of Finance (MOF), the Ministry of Physical Planning and Works (MPPW), Ministry of Environment, Science and Technology (MOEST), Department of Urban Development and Building Construction (DUDBC), Department of Roads (DOR), Department of Transport Management (DOTM), Kathmandu Valley Town Development Committee (KVTDC), Kathmandu Metropolitan City (KMC), and Metropolitan Traffic Police (MTP).

Earlier in the decade, the government has responded with the enactment of the National Transport Policy in 2002. This contains sustainable transport-related provisions including the desire to restrain vehicle growth through parking controls. The policy reflects the commitment of the national government towards implementing sustainable transport systems.

Kathmandu City has demonstrated its commitment to develop sustainable urban transport programs through the introduction of electric powered tempos (three-wheeled taxis) and with the installation of solar-powered traffic signals at key intersections. There is growing commitment to manage the travel demand to match the available supply as opposed to attempting to provide additional road infrastructure to accommodate the increasing number of private vehicle demand; a core element of SUT.

C. Describe the consistency of the project with GEF strategies and Strategic programs

The proposed project contributes to meeting the objectives of GEF Climate Change Strategic Program (SP-5) “Promoting Sustainable Innovative Systems for Urban Transport”. The proposed activities as described above are eligible under this strategic program. Kathmandu may be classified as a rapidly growing small to medium-sized city which is the priority for this CC strategic program.

D. Justify the type of financing support provided with GEF Resources

GEF funding would play a catalytic role in leveraging additional funding from other Development Partners. It will finance the soft components of the project (components 1 and 2) as well as support limited SUT infrastructure (component 3) to ensure that these will promote modal shifts. The particular focus of co-financing would be on the civil works (public transport terminals, pedestrian facilities, parking provisions, road intersection improvements, signalization, etc) and equipment (including traffic signals). Discussions will be held with the Government to support financing of some of the

project components. The option for a sustainable urban transport fund will also be explored to ensure the long-term financial viability. Potential revenue sources such as parking charges, traffic violation fines or vehicle registration fees could be used to ensure on-going improvements to the sustainable transport initiative within the city. This could be done along the lines of several Indian cities such as Surat.

E. Outline the coordination with other related initiatives

This initiative is linked to the overall Sustainable Transport Initiative of the Asian Development Bank. As part of the initiative, ADB is seeking to develop low carbon transport systems in several cities in Asia. Some such projects include the Bus Rapid Transit project in Lanzhou, metro rail projects in Hanoi and Ho Chi Minh City and rail projects in India and China. Most of these projects are orientied towards developing public transport systems which will carry goods and people more efficiently and thus reduce GHG emissions. The experience gained through executing such projects is helping ADB to develop expertise in this new area and will enable it to develop a long pipeline of such projects in the region. ADB's growing expertise in urban transport will also assist in the successful delivery and execution of this project. During the design phase, this project will also look into other SUT projects in the GEF portfolio, particularly those in Asia to apply lessons learned from these projects and for initiating collaboration during the implementation phase.

F. Discuss the value added of GEF involvement in the project demonstrated through incremental reasoning

The incrementality of the project is linked with the efforts to overcome the identified key barriers to the sustainable transport sector development in Kathmandu. Through transport planning, capacity building, policy reform, awareness raising and pilot activities, the project seeks to reduce the rate of growth of GHG emission from the urban transport sector through energy-efficient and clean energy transport solutions. Without the GEF support, the project will be focused primarily towards the developmental impacts of improving the Kathmandu urban transport system and less on the potential global environmental benefits. The project will complement and add value to the ongoing Government and private sector activities by supporting measures to facilitate modal shift towards less carbon intensive transportation systems, including both passenger and cargo transport. While the detailed intervention strategy and project design will be developed during the project preparatory phase, the initial consultations have confirmed the relevance and need for GEF and Government support.

G. Indicate risks, including climate change risks, that might prevent the project objective(s) from being achieved, and if possible including risk mitigation measures that will be taken:

Risk	Mitigation
Sustaining interest during long gestation periods required to develop sustainable transport options. Without any visible results from institutional strengthening and strategic planning activities, loss of stakeholder interest represents a project risk.	Overcoming this risk will require the proper setup of well-managed demonstration projects that will generate interest amongst all stakeholders, and creating the necessary conditions for replication.
Inability to attract sufficient private sector interest. It is expected many of the demonstration projects for sustainable transport will require private sector participation. To date, private-public partnerships in Nepal have had mixed results.	The project will encourage incentive-driven private sector participation on sustainable transport projects through project designs that are realistic and attainable and embedded in sustainable and innovative financial mechanisms, such as SUT Funds. Increased share of public transport will ensure enhanced financial viability for public transport operations.
The public currently using the private mode of transport continue to use it for its convenience and the modal shift to public transport does not take place as expected.	Policy and regulatory measures as well as traffic management programs will be devised to encourage the use of public transport. Improvement of public transport facilities and pedestrian facilities will be made to encourage lesser dependence on private transport.
Lack of coordination amongst relevant institutions for delivering the various project components.	Since close coordination among the relevant organizations is critical for the successful implementation of the Project, a Steering Committee (ST) will be formulated for implementation,

	headed by Secretary of MPPW and comprising senior officials from DUDBC, DOR, DOTM, KVTDC, all municipalities in the Kathmandu Valley, the National Planning Commission (NPC), MOF, the Ministry of Labor and Transport Management (MOLTM), Ministry of Local Development (MLD), MOEST and MTP. The ST will review the progress and provide direction particularly on key policy issues. Other relevant agencies may also be invited.

Climate change impacts do not pose any material risk to the project rather the project aims to contribute to mitigating climate change.

H. Describe, if possible, the expected cost-effectiveness **of the project:**

The sustainability of the project is enhanced by the approach taken to link the global environmental objectives with the efforts to reduce local transport sector related problems such as GHG emissions, congestion and deteriorated urban air quality. The initial consultations with Government officials have confirmed the full support of the key Government departments.

As regards the financial sustainability of the measures promoted, the overarching strategy is to support only those measures that can demonstrate cost recovery or for which sustainable public support will be obtained. Specific emphasis is given on possible public-private partnerships as a way to leverage additional commercial financing for the investments needed, including the possibility to establish a sustainable urban transport fund. Economic and financial analyses will be done to ensure cost effectiveness as required in all ADB investment projects.

GEF funds will mainly be used for technical assistance activities and for those investment components that demonstrate the greatest potential for reductions in GHG emissions. While it is not possible at this stage to quantify the expected CO2 reduction impact of the project, several components of the project are of an investment nature and are therefore expected to generate significant CO2 reductions. With the technical assistance aspects of the project, the GHG reductions would occur further out in the future adding to the cost effectiveness of the project. During project preparation, a detailed baseline analysis will be conducted and the projected CO2 reductions will be calculated. The cost effectiveness of the project will be presented at CEO endorsement.

I. Justify the comparative advantage of GEF agency:

This project involves considerable investment and some technical assistance and is within the comparative advantage of ADB.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):

(Please attach the country endorsement letter(s) or regional endorsement letter(s) with this template).

NAME	POSITION	MINISTRY	DATE *(Month, day, year)*
Kapil Dev Ghimire	Joint Secretary	Ministry of Finance	June 7, 2009

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.

Agency Coordinator, Agency name	Signature	Date *(Month, day, year)*	Project Contact Person	Telephone	Email Address
Daniele Ponzi Principal Environment Specialist dponzi@adb.org		Sept 22, 2009	Norio Saito Urban Development Specialist	(632) 632 6258	nsaito@adb.org