

**Nepal: Pro-poor Urban Regeneration Pilot Project (JSDF TF 15780)
First Implementation Review and Support Mission (June 17 – 30, 2014)**

I. Introduction

1. The first Implementation Review and Support mission for the Pro-poor Urban Regeneration Pilot Project (PURPP), funded by the Japan Social Development Fund (JSDF), was held from June 17 to 30, 2014. The objectives of the mission were to: (i) review the status of critical actions to be carried out by Lalitpur Sub-metropolitan City (LSMC) to start project implementation; and (ii) review progress of preparation of the participatory plan for the project.

2. The review team¹ (referred to as the “Team” hereafter) would like to thank the officials of the Government of Nepal (GoN) representing the Ministry of Finance, and the Ministry of Urban Development (MoUD) and the officials of the Kathmandu Valley Development Authority (KVDA), and the Lalitpur Sub-Metropolitan City (LSMC) for the hospitality and courtesies extended during the review. The list of persons met is in Annex 1.

3. This Aide-Memoire summarizes the main findings and recommendations of the mission. The draft Aide Memoire was shared with the concerned agencies for discussion at the wrap-up meeting which was chaired by Mr. Kishor Thapa, Secretary, MoUD, on June 30, 2014. As agreed at the wrap-up meeting, this Aide-Memoire will be classified as a public document as per the World Bank’s Access to Information Policy.

¹ The team comprised Elisa Muzzini (Sr. Economist/Task Team Leader), Silva Shrestha (Water and Sanitation Specialist/Co-Task Team Leader), Ramesh Raj Bista (Procurement Specialist), Drona Ghimire (Environment Specialist), Bandita Sijapati (Social Development Consultant), Taneem Ahad (Operations Officer, IFC Investment Climate Advisory Services), Yogesh Malla (Financial Management Specialist), Pawan Lohani (Municipal Finance Consultant), Tashi Tenzing (Engineer/Consultant), Kalyan Nemkul (Team Assistant) and Sulochana Nepali (Team Assistant).

II. Key Project Data

Project Data		Ratings	Now
Approval Date	September 17, 2013	Achievement of PDO	S
Grant Signing Date:	February 10, 2014	Implementation Progress	MS
Effectiveness Date:	February 10, 2014	Project Management	MS
Closing Date ² :	September 30, 2017	Procurement	MS
Grant Amount:	USD 2.75 million	Financial Management	MS
Amount Disbursed:	0	Safeguards	MS
(as of June 30, 2014)		M&E	S
		Counterpart Funding	MS

Ratings: **HS**=Highly Satisfactory; **S**=Satisfactory; **MS** = Moderately Satisfactory; **MU**= Moderately Unsatisfactory; **U**=Unsatisfactory; **HU**=Highly Unsatisfactory; **NA**=Not Applicable; **NR**=Not Rated.

III. Achievement of Development Objectives Status

4. The Project Development Objective (PDO) is to contribute to improving the living conditions of poor and vulnerable households in selected wards of the historic core of Lalitpur City by piloting urban regeneration activities; and demonstrate the feasibility of an integrated urban regeneration approach to decision-makers in the Kathmandu valley. The project area comprises four wards (wards 16, 18, 21 and 22) that are located in the buffer zone of the World Heritage Site, with a population of 24,900 according to the 2011 population census data. The project is implemented by LSMC. Achievement of the PDO is measured by the following indicators:

- **Indicator One: Number of people in the project area directly benefiting from urban regeneration activities.** Year 1 target: 500; end of project target: 3,000.
- **Indicator Two: Number of people in the project area who experienced an increase in income.** Year 1 target: 0; end of project target: 600.
- **Indicator Three: Number of people in the project area reporting increased awareness of the importance of local heritage.** Year 1 target: 0; end of project target: 1,500.
- **Indicator Four: Volume (total costs) of urban regeneration activities in the project area** (including matching contributions raised by communities, small businesses and the municipality). Year 1 target: US\$ 0.5 million; end of project target: US\$ 3 million.
- **Indicator Five: Percentage of priority activities identified in the participatory Action Plan that are implemented.** Year 1 target: 5; end of project target: 70.

5. The pilot project, funded by a JSDF grant of US\$2.75 million, has the following four components: (i) Participatory Action Plan for Pro-poor Urban Regeneration in the project area; (ii) Grant Facility for Pro-poor Urban Regeneration comprising the windows for Pro-poor Municipal Investments, Pro-poor Community-based Initiatives Grants, and

² Closing date as per the Grant Agreement is September 30, 2017. However, based on approved implementation period of four years, closing date should be February 9, 2018. An extension of the closing date will therefore be processed in due course during implementation.

Pro-poor Business Development Grants; (iii) Community Awareness and Local Capacity Building for Pro-poor Urban Regeneration; and (iv) Participatory Monitoring & Evaluation and Knowledge Dissemination, Project Management and Administration. LSMC has direct responsibility for implementing activities for Pro-poor Municipal Investments. Sub-grants under the Pro-poor Community-based Initiatives Grant Window and Pro-poor Business Development Grant Window will be awarded to grantees for eligible activities based on a competitive and demand-driven process. The results framework for the project is presented in Annex II.

6. The Grant Agreement for PURPP was signed on February 10, 2014. A Memorandum of Understanding (MoU) was signed between MoUD, KVDA and LSMC on May 16, 2014, which spells out the roles and responsibilities of the agencies and coordination arrangements. LSMC has focused on the preparation of the plan for pro-poor regeneration of the project area (Component I). A participatory process has been followed for the preparation of the plan, which was endorsed by LSMC at the plenary meeting held on June 26, 2014. Given the progress made in the preparation and endorsement of the participatory plan (which is a critical activity for sustainable regeneration of the project area) the likelihood of achieving the PDO is rated “Satisfactory”.

IV Current Implementation Status

7. *Overall progress.* The project has made good progress with preparation of the participatory plan. LSMC carried out several consultations and meetings with a broad range of stakeholders, including NGOs, Community-based Organizations (CBOs), and business organizations, for the preparation of the plan. A team of technical experts was mobilized with funding from the World Bank Multi-Donor Trust Fund for Cultural Heritage to carry out a number of studies and a rapid assessment, to inform the preparation of the participatory plan and support LSMC in the stakeholder engagement. Based on the findings of the assessments and the outcomes of the consultation process, stakeholders and local residents agreed to concentrate investments and initiatives along one heritage walk to maximize the impact and visibility of the activities. Three working groups comprising ward representatives and experts were established to select the heritage walk, prioritize municipal investments and recommend goals and priorities for the pro-poor community-based and business development initiatives under the grant facility. After the working groups completed the prioritization, a plenary meeting was held by LSMC on June 26, 2014 to present the findings of the working groups to residents of the project area and stakeholders. The meeting endorsed the investments and priorities identified by the working groups. See Annex III for details on the participatory plan and Annex IV for the complete list of selected municipal investments.

8. Building on the stakeholder endorsement of municipal investments and priorities for the grant facility, LSMC will proceed with the finalization and formal approval of the participatory plan, including the selection of municipal investments to be undertaken in FY15. LSMC will present the participatory plan for approval at the next Council Meeting planned for July 2014, following review by the Steering Committee. The role of the working group members beyond the preparation of the participatory plan was discussed during the review. It was agreed that working group members who have been

nominated by the respective wards would continue to work as advisory groups to the municipality, as well as facilitators between the wards and the municipality. They will advise the municipality on the implementation of the participatory plan and also help/advise grantees with the preparation of proposals, based on their knowledge of having participated in the working groups.

9. The Team is pleased with the progress made in the preparation of the participatory plan and noted the significant participation and inputs provided by the working groups and residents of the project area. Over the next three months, the goal is to start implementation of activities under the Grant Facility for Pro-poor Urban Regeneration. The Team noted that project management needs to be strengthened and the recruitment of individual consultants, including the municipal engineer, the procurement consultant and the institutional development consultant, needs to be expedited to avoid delays in implementation of project activities. Based on progress in the preparation of the plan and considering the need to strengthen project management to avoid implementation delays, implementation progress is rated “Moderately Satisfactory”.

10. *Target beneficiaries.* The project aims to improve the living conditions of the poorest and most vulnerable through urban regeneration activities. Qualitative dimensions of poverty and vulnerability were identified from available contextual data as well as interviews with stakeholders to generate a broad picture of poverty and vulnerability in the project area. Accordingly, 11 groups were identified and classified as poor and vulnerable, including: (i) income poor; (ii) people with unstable incomes; (iii) unemployed; (iv) ethnic groups/religious minorities that are non-indigenous to the project area; (v) historically marginalized castes; (vi) disabled individuals; (vii) youth; (viii) women; (ix) elderly; (x) workers/artisans working under unhealthy or hazardous conditions; and (xi) residents of neighborhoods with poor living conditions (See Annex V for a description of the target groups). The categories and definitions of the various groups classified as poor and vulnerable were discussed with members of the three working groups. Further, two focus group discussions were held on May 25, 2014 and June 15, 2014 with community members identified as representatives from the target beneficiaries. The list of target beneficiaries was endorsed by LSMC as well as project stakeholders during the plenary meeting held on June 26, 2014.

11. *Social and Environmental Safeguards.* A list of investments to be supported under the project has been identified through the participatory planning process. As the plan is expected to be formally approved at the next Council meeting planned for July 2014, the PMT will prioritize and identify investments to be implemented in the upcoming FY 2014/15 by July 15, 2014. It was agreed that the municipality would select relatively simple investments for the first year of PURPP implementation. LSMC has identified the municipal environmental officer as the environmental focal point and the Chief of the Social Welfare Department as the social focal point for PURPP. However, these focal points are not fully knowledgeable about safeguard compliance issues related to the project. Since the focal points have other responsibilities beyond the project, the PMT has agreed to provide them with additional support and resources, as and when required. It was agreed that social and environmental screening of first year investments would be completed by September 30, 2014, and the PMT would ensure that sub-project specific environmental and social recommendations will be incorporated into relevant documents

of the sub-project, including plan, design, cost-estimates, contract/ agreement etc. The Team also advised the PMT to upload the final version of the Environmental and Social Management Framework (ESMF) into its website. Given overall progress made with safeguard activities and considering the early stage of implementation of the project, safeguard compliance is rated “Moderately Satisfactory”.

12. *Project Management.* A Project Management Team (PMT) has been established at LSMC to manage project activities as per the Project Operational Manual. A full-time Project Manager has been assigned to the project. LSMC also intends to hire a consulting firm (the Project Support Consultants [PSC]) to support the PMT, in particular for the competitive grant windows for pro-poor community-based and business development initiatives. A Project Steering Committee chaired by Mr. Yogeshwar Parajuli, Commissioner, KVDA has been created to coordinate and oversee project activities. The first meeting of the Steering Committee was held on June 17, 2014. The Team emphasized the need to strengthen project management early on and establish a dedicated project office (see Section VI). Project management is rated “Moderately Satisfactory”.

13. *Monitoring & Evaluation (M&E).* An M&E system needs to be established to enable the tracking of the overall socio-economic benefits of the project and assess the performance of the grant facility in meeting its objectives and adhering to its targeting and funding criteria. Activities will comprise a survey to generate baseline data and a Management Information System (MIS) for the grant facility. Sub-grant agreements for pro-poor community-based and business development initiatives will have grant specific simple indicators that will be monitored as part of a participatory community-based M&E system for the grant facility. The Results Framework was discussed with the PMT and it was agreed that it would be updated on a regular basis. LSMC would publish the request for Expressions of Interest (EoIs) for procurement of consultants for the baseline survey by September 30, 2014. The MoUD and KVDA would support LSMC with the establishment of the M&E system. Since significant stakeholder participation in the preparation of the plan provides a strong foundation for participatory M&E, M&E is rated “Satisfactory”.

14. *Pro-poor Tourism Development and IFC Support to the Project.* The participatory plan focuses PURPP interventions on the integrated development and promotion of a new heritage walk selected through consultations with the working groups. The selected heritage walk has a wealth of under-utilized assets with no tourists currently visiting those areas due to lack of publicity as tourist attractions. The Team noted that close coordination with the Ministry of Culture, Tourism and Civil Aviation, as well as key private sector partners in the tourism sector, in particular the Nepal Association of Travel and Tour Agencies (NATTA) and the Nepal Association of Tour Operators (NATO), is required to develop the identified heritage walk as a new tourist product, strengthen the impact of the project on tourism development, and meet the economic benefit target of the project. It was agreed that LSMC, with support from the IFC, will hold consultations with the Ministry of Culture, Tourism and Civil Aviation, NATTA and NATO on tourism planning/marketing along the selected heritage walk. The Ministry of Culture, Tourism and Civil Aviation would be invited by the PSC to participate in meetings. With regard to pro-poor business development initiatives, it was agreed that inputs would be solicited from the IFC SME Venture team to carry out a training needs assessment and

provide training on business plan preparation to businesses interested in applying for a sub-grant for pro-poor business development initiatives.

15. *Project Risk Assessment.* The overall risk of the pilot is rated substantial because it presents several “un-tested” innovative features, implementation arrangements are highly decentralized through the competitive grant window, and the municipality does not have prior experience with implementation of Bank projects. Mitigation measures agreed at the time of project preparation to lower risk have been implemented and are being closely monitored. In addition, LSMC is undergoing a transition phase, which may affect implementation.

V. Procurement and Financial Management

16. *Procurement.* The Team reviewed implementation of the project procurement plan. It was noted that curriculum vitae of three candidates were received for the selection of individual consultants for the positions of procurement specialist and municipal engineer. The Team recommended that the PMT expedite completion of the evaluation of curriculum vitae received and negotiate a contract with the best qualified consultant. Procurement of the institutional development specialist has not moved forward. Recruitment of individual consultants is a temporary arrangement to assist LSMC until the PSC is recruited. Therefore, timely hiring of the PSC is critical for smooth implementation of the project. It was agreed that the request for EoIs for the selection of the PSC would be published by August 31, 2014. The Team recommended preparing an updated procurement plan, including all procurement activities in line with the agreed annual work program and budget for FY 2014/15. The updated procurement plan would be provided to the World Bank by July 31, 2014. Based on overall progress of the initial procurement activities, procurement performance is rated “Moderately Satisfactory”.

17. *Financial Management.* LSMC had proposed a program of activities to be funded under the project; however, no budgetary allocation was made for FY 2013/14. If needed, it was agreed that LSMC would carry out essential activities using resources from one of its existing approved program/budget line. The Team was informed that for FY2014/15, annual work plan was submitted by LSMC to MoF through MoUD and a separate budget line would be provided for this Project. LSMC’s annual work program and budget has made a provision for counterpart funds. LSMC has submitted to MoF, through MoUD, the request to open the Designated Account (DA) and the signatories of the project. MoF would notify the World Bank of the signatories and LSMC would open the DA by July 15, 2014. The first withdrawal application will be submitted by August 1, 2014. Based on overall progress and considering the delays in assigning the budget for the project in FY 2013/14, financial management and counterpart funding are rated “Moderately Satisfactory”.

VI. Agreed Actions

18. Based on key implementation issues observed during the review, following actions have been agreed:

- **Strengthen Project Management at PMT.** While the structure for project implementation has been established, project management is still going through initial start-up issues. The Team strongly recommends that in the start-up phase of the project the PMT meet every week to resolve implementation issues as they arise. The Team observed the need to strengthen coordination among the PMT members. The Team requested the PMT to maintain strong communication with the World Bank team and effective coordination with KVDA and MoUD on progress and emerging issues. The PMT should give priority to the hiring of individual consultants (municipal engineer, procurement consultant and institutional development consultant). It was also agreed that the PMT would establish a dedicated project office, with necessary support staff, by **August 31, 2014**.
- **Initiate Activities for the implementation of the Grant Facility for Pro-poor Urban Regeneration Priority** needs to be given to initiate implementation of activities under the grant facility, with a focus on preparing designs and cost estimates for the first batch of municipal investments, and launching the first call for proposal for pro-poor community-based initiatives and pro-poor business development initiatives. Following critical activities need to be completed by the PMT over the next three months: (a) prepare draft call for proposal and supporting documentation for pro-poor community-based initiatives and pro-poor business development initiatives by **August 31, 2014**; (b) complete design for the first package of municipal investments by **September 30, 2014**; (c) carry out a training needs assessment for business plan development and provide support for business plan preparation to interested businesses by **August 31, 2014**; and (d) carry out an outreach program for the grant facility and provide training for prospective sub-grant proponents by **September 30, 2014**.

19. Following is a summary of priority actions that have been agreed during this review. The full list of agreed actions is presented in Annex VI.

Priority Action	Responsible Agency	Milestone Date
Complete hiring of the municipal engineer, procurement and institutional development consultants.	PMT	July 31, 2014
Approve Participatory Plan for Pro-poor Urban Regeneration.	LSMC	At the next council meeting planned for July 2014
Finalize Terms of Reference (ToR) and publish Request for EoI for Project Support Consultant (PSC).	PMT	August 31, 2014
Prepare draft call for	PMT	August 31, 2014

proposals and supporting documentation for the competitive grant facility.		
Complete designs for the first package of pro-poor municipal investments.	PMT	September 30, 2014

VII. Proposed Timing and Focus of Next Implementation Review

20. The next implementation support review is tentatively scheduled for October 2014. The objective of the next visit will be to review overall implementation progress, in particular for the grant facility, as well as to review progress on priority actions.

Annex I: List of People Met

Lalitpur Sub-metropolitan City

Mr. Mohan Nath Maskey, Project Director/Executive Officer

Mr. Prabin Shrestha, Project Coordinator/Senior Architect

Mr. Prabin Dhakhwa, Project Manager/Architect

Mr. Ashok Shrestha, Chief, Social Welfare Division

Mr. Shree Bhadra Ojha, Procurement

Ms. Surya Maya Tamrakar, Financial Management

Mr. Pradeep Amatya, Environment

Ministry of Urban Development

Mr. Kishor Thapa, Secretary

Dr. Mahendra Subba, Joint Secretary

Mr. Padma Mainalee, Senior Divisional Engineer

Kathmandu Valley Development Authority

Mr. Yogeshwar Parajuli, Development Commissioner

Ms. Rama Maiya Manandhar, Engineer

Annex II: Results Framework

PDO Level Results Indicators		Baseline		Target and Achievement				Comments
				Year 1	Year 2	Year 3	Year 4	
Indicator One: Number of people in the project area directly benefiting from urban regeneration activities (disaggregated by gender and poverty/vulnerability profile). (CORE)	Number of total and female beneficiaries	0	Cumulative Target	500 (175)	1000 (350)	2000 (700)	3000 (1050)	Project is at an early stage of implementation. It is therefore too early to assess progress with regard to number of beneficiaries.
			Cum. Achievement					
Indicator Two: Number of people in the project area who experienced an increase in income (number and percentage of beneficiaries).	Number and percent of beneficiaries	0	Cumulative Target	0 (0)	200 (20%)	400 (20%)	600 (20%)	Increase in income in project area is expected from Year 2 of implementation.
			Cum. Achievement					
Indicator Three: Number of people in the project area reporting increased awareness of the importance of local heritage (number and percentage of beneficiaries).	Number and percent of beneficiaries	0	Cumulative Target	0 (0)	500 (50%)	1000 (50%)	1500 (50%)	Target for Year 1 is expected to be exceeded given the increased awareness that has been generated with the preparation of the participatory plan. Indicator for will be measured at the end of Year 1.
			Cum. Achievement					
Indicator Four: Volume (total costs) of urban regeneration activities in the project area (including matching contributions raised by communities, small businesses and the municipality).	US\$ million	0	Cumulative Target	0.5	1	2	3	Project is at an early stage of implementation. It is therefore too early to assess progress. First call for proposal for grant window is
			Cum. Achievement					

								expected to be issued in the fall of 2014.
Indicator Five: Percentage of priority activities identified in the participatory Action Plan that are implemented.	Percent of activities	0	Cumulative Target	5	30	50	70	Indicator is on track given that strong support from local residents to the priorities identified in the plan.
			Cum. Achievement					

<i>Intermediate Result Indicator One:</i> Participatory action plan and annual plan updates endorsed by the municipality.	Text Y=Yes N=No	0	Target	Y	Y	Y	Y	Indicator is on track for Year 1. Participatory plan is expected to be approved by August 1, 2014.
			Actual					
<i>Intermediate Result Indicator One:</i> Number of municipal investment and initiatives packages implemented by the municipality.	Number	0	Cumulative Target	0	2	4	6	Indicator for Year 1 is expected to be exceeded given that list of municipal investments has been finalized, and preparation is expected to start in July 2014.
			Cum. Achievement					
<i>Intermediate Result Indicator Two:</i> Number of sub-grant proposals approved and contracted out for pro-poor community-based regeneration initiatives.	Number	0	Cumulative Target	5	15	20	25	Project is at an early stage of implementation. It is therefore too early to assess progress. First call for proposal for grant window is expected to be issued in the fall of 2014.
			Cum. Achievement					
<i>Intermediate Result Indicator Three:</i> Number of sub-grant proposals approved and contracted out for pro-poor business development	Number	0	Cumulative Target	0	15	20	25	As above.
			Cum. Achievement					

regeneration initiatives.								
<i>Intermediate Result Indicator One:</i> Number of beneficiaries of community awareness training.	Number	0	Cumulative Target	300	600	900	1200	Awareness raising training will start in FY15.
			Cum. Achievement					
<i>Intermediate Result Indicator Two:</i> Number of municipal training workshops on urban regeneration completed.	Number	0	Cumulative Target	4	8	12	15	Municipal training workshops will start in FY15.
			Cum. Achievement					
<i>Intermediate Result Indicator One:</i> Management Information System (MIS) for the grant facility established, and fully functioning.	Text Y1= established Y2 = functioning	0	Target	Y1	Y2	Y2	Y2	Activities for the preparation of MIS will start in FY15.
			Actual					
<i>Intermediate Result Indicator Two:</i> Number of knowledge dissemination events with other cities successfully completed.	Number	0	Cumulative Target	1	2	4	6	Indicator is on track to be achieved. KVDA and MoUD will support LSMC with preparation of knowledge event in FY15.
			Cum. Achievement					

Annex III: Participatory Plan for Pro-poor Urban Regeneration

1. The objective of the PURPP participatory plan is to set the vision for the urban regeneration of the project area, as well as priorities, and guiding principles for the urban regeneration activities, in line with the Periodic Plan of LSMC. The plan also identifies the municipal investments to be funded under the project and develops the goals and parameters for the grant facility for pro-poor urban regeneration initiatives, including identification of priority areas on which the calls for proposals for the grant facility will be based, and with which municipal investments will be aligned. The Annex describes the process followed for the preparation of the participatory plan, and the main findings.

III.I The Process

2. The participatory plan was prepared based on a highly consultative process facilitated by LSMC that brought together central public sector agencies, the private sector, social organizations, experts and academia, local businesses and community residents. Particular attention was paid to ensuring that the poorest and most vulnerable groups in the project area were consulted and that their priorities were taken into account in the planning process. The participatory process undertaken to inform the participatory plan included a number of consultations complemented by a set of technical inputs.

Consultations

3. The participatory process included four steps of consultations as follows:
- **General and Ward-level meetings** attended by key stakeholders and organizations, including ward and political party representatives as well as NGOs representing the poor and vulnerable in the project area. The meetings provided project area residents with information on the project, discussed the vision for the regeneration of the project area and agreed on the identification of poorest and most vulnerable groups as project beneficiaries.
 - **Working groups** were formed around each grant facility window comprising municipal staff, ward representatives, project team members and local experts and residents. The working groups were thus tasked with the responsibility of proposing plans for each window for discussion and validation at the plenary meeting. They met to discuss and decide upon the specific municipal investment activities as well as the priorities for the project's community-based and business development activities.
 - **Focus group discussions** (FGDs) were organized by the working groups and carried out with poor and vulnerable residents to ensure that the working group activities are beneficial to the project's target beneficiaries. The FGDs explored how the municipal investments and community-based initiatives can benefit the poorest and most vulnerable, and how the business development initiatives can increase their incomes as well as improve their living conditions.
 - Lastly, a **plenary session** was organized by LSMC on June 26, 2014 at which the working groups presented their key findings and proposals, and the plan was endorsed. Discussion on the proposals culminated in a consensus being reached

on the specific pro-poor municipal investments as well as the priorities for both the pro-poor community-based, and pro-poor business development initiatives.

- Following endorsement of the plan at the plenary session, the participatory plan will be finalized and sent for review and comments to the Steering Committee, UNESCO, the Department of Archeology, DUDBC and MoUD on a no objection basis as per the Operational Manual. If there is no response within 30 days of submission, it will be assumed that the agencies have no comment on the plan. The participatory plan will then be endorsed by the municipality and submitted for final formal approval at the next Council Meeting planned for July 2014.

Technical Studies

4. This participatory process was complemented by technical studies prepared by experts with input from target area residents and businesses to provide the necessary baseline data to inform the planning process.

- A **social assessment** was carried out to identify the characteristics of poverty and vulnerability of the project area to determine the target beneficiaries of PURPP, and explores the livelihood concerns, culture and institutions of project area residents.³ This was, in part, done through interviews with artisans, study of the local intangible heritage, and examination of social organizations active in the area.
- A **market analysis** was carried out to examine the state of the tourism and craft sectors in Lalitpur City and identify their comparative advantages and weaknesses with a view to propose recommendations to enhance the economic impact of the regeneration pilot and ensure economic sustainability of regeneration activities.
- An **inventory of assets** was also conducted to take stock of all of the tangible and intangible heritage assets in the project area. The inventory identifies the assets most important for the poor, vulnerable and underprivileged and those with potential for tourism development and that could contribute to local economic development and income-generation for project area residents.
- The final technical assessment conducted to support the participatory plan's consultative process is a **site management framework** that outlines past conservation efforts and the institutions involved, describes the operational status of conserved assets in the project area, examines the organizations that are involved in the conservation and preservation of the area's historic monuments and studies the regulatory and legal arrangements related to heritage conservation and management.

³ The many dimensions of urban poverty were considered to identify these particular groups as the target beneficiaries for urban regeneration activities in Lalitpur. A qualitative picture of poverty and vulnerability in the project area was generated through available data and interviews with stakeholders, particularly those with social organizations active in the project area.

III.II The Vision, Municipal Investments & Priorities for the Grant Facility

5. The shared vision for PURPP as emerged from the participatory process is to transform the project area into a culturally and economically vibrant area that is more livable for all, and in particular LSMC's poor and vulnerable groups. More specifically, the plan aims to contribute to the achievement of the following long-term objectives in the project area:

- To improve the attractiveness of the project area through conservation of cultural assets and improvement of local services;
- To foster social inclusion and cohesion through the sustainable promotion and sharing of local culture and traditions;
- To promote sustainable tourism products that will increase length of stay of tourists and improve the quality and authenticity of their experience;
- To create more and higher quality jobs in the craft sector for local residents.

6. The Participatory Plan focuses PURPP's interventions on the integrated development and promotion of a new heritage walk selected through consultations with the working groups. This walk will connect the heritage assets in the project area to the Durbar Square and Golden Temple, thus taking advantage of the accessibility and proximity of the project area to the main tourist attractions in Lalitpur City.

7. In consultation with target beneficiaries and representatives from each of the project area's four wards, the working groups recommended a set of pro-poor municipal investments that will be undertaken under Window 1 of the grant facility, as well as the set of priorities that will guide the selection of pro-poor community-based and pro-poor business development regeneration activities under Windows 2 and 3, respectively. Calls for proposals for Windows 2 and 3 will be based on the priority areas for pro-poor community-based and business development regeneration activities, and selected proposals will furthermore be aligned with the project's municipal investments.

8. In order to maximize impact and ensure visibility, all municipal investments selected for funding under the project are concentrated along the newly designed cultural heritage walk. And to the extent possible, priority will also be given in the competitive selection of pro-poor community-based and business development initiatives to activities that contribute to promoting the heritage walk.⁴ The selected heritage walk has been made flexible enough for, or will be modified to incorporate other assets in the immediate vicinity of the chosen route.

Pro-poor Municipal Investments

9. Experts identified five heritage walks with potential to be developed as a new tourist product in the project area. The following criteria were considered to evaluate the five routes: (i) presence of cultural heritage assets with "marketing" potential for tourism development with a focus on the poor and vulnerable; (ii) poverty reduction potential in

⁴ For instance, cultural events along the heritage walk under Window 2 and providing marketing training to artisans along the heritage walk under Window 3.

terms of the presence of assets used by the poor and vulnerable and inclusion of neighborhoods along the route with poor infrastructure; (iii) accessibility, including linkages to World Heritage Site, parking space, etc.; and (iv) “readiness” of investments along the route. The working group recommended that municipal investments be concentrated along heritage walk 1.

10. The objective of Window 1 of the grant facility is to support small pro-poor works implemented by the municipality, such as improvements in local infrastructure and basic services and heritage conservation, to enhance the living conditions of the poorest and most vulnerable communities in the project area. The total ceiling for municipal works under the project is USD 820,000. The following pro-poor municipal investments have been selected along the chosen heritage walk:

- Installation of solar lights
- Installation of signage along the route
- Physical restoration of water spouts and the rest houses (Patis) within them;
- Improvement of the Kotalachi – Pimbahal – Nakabahil pavement;
- Improvement of the Ikachen area (pavement and Alko gate);
- Development of Tapa Hiti Square;
- Improvement of the Pimbahal area;
- Improvement of the Patan Dhoka area;
- Improvement of Balukha Square;
- Development of Dau Bahal Square
- Renovation of Rest house (Pati) at Nakabahil, Chalkhu, Kayagunanai and Platform (Dabali) at Akibahal
- Restoration of the Sulima Agam Chen Temple;
- Conservation of Sunanda Vihar area in Ikhachhen; and
- improvement of solid waste collection and traffic management in the project area;

Pro-poor Community-based Initiative Priorities

11. The objective of the Window 2 of the grant facility is to support pro-poor community-based initiatives for heritage conservation and the enhancement of cultural identity, social cohesion and acceptance of cultural diversity. The working group identified four priority areas for the pro-poor community-based initiatives that will be competitively selected through the grant facility. Proposals would need to be aligned with at least one of the following priority areas to be considered for funding:

- documentation and sharing of intangible cultural heritage (ICH);
- reviving interest in ICH amongst children/youth;
- exhibition and promotion of local ICH; and
- transfer of traditional ICH skills and knowledge local to the project area.

Pro-poor Business Development Priorities

12. The objective of the Window 3 of the grant facility is to support pro-poor initiatives by eligible businesses, NGOs, cooperatives and community-based organizations aimed at involving the poorest and most vulnerable in the development of traditional handicrafts and cultural tourism related products and services. The working group identified six priority areas for the pro-poor business development initiatives that will be competitively selected through the grant facility. Proposals would need to be aligned with at least one of the following priority areas to be considered for funding:

- marketing of the heritage walk;
- employment opportunities for youth linked to market;
- creation of new platforms (virtual and real) to tell the cultural heritage story of Lalitpur;
- diversification of craft products beyond metal work;
- development of the craft tourism sector; and
- enhancement of local artisan capacity to sell their products with a focus on better tools for marketing, pricing and packaging.

Annex IV: List of Pro-poor Municipal Investments

Investment	Justification for Selection	Cost Estimate ⁵	Implement Modality
Installation of Solar Lights	<ul style="list-style-type: none"> This will contribute towards improving safety and security within the project area. It will also enable tourists to visit the project area at night. 	60,000.00 USD	Possibility of private partners
Signage as required along the route (main signage will include; name of roads, assets etc. in an approved format)	<ul style="list-style-type: none"> Providing signage will help tourists find the right information easily and understand the history and traditions of the project area. 	50,000.00 USD	Users committee and possibility of private partners
Restoration of hitis (water spouts) and patis (rest places) <ol style="list-style-type: none"> Tapa Hiti A Tapa Hiti B Sitha Hit Amrit Hiti Dathu Hiti The restoration of Hitis would include physical improvements only. The patis in the hitis will be renovated as per their present condition	<ul style="list-style-type: none"> Most of these hitis are the only source of water for the urban poor and vulnerable in the project area. The restoration of the hitis will assist in preserving the traditional water spouts Traditional water system have potential to become attractions for tourists 	Tentative cost of restoration (100,000.00 USD) Tapa Hiti A: 20,000 USD Tapa Hiti B: 20,000 USD Sitha Hit: 20,000 USD Amrit Hiti: 20,000 USD Dathu Hiti: 20,000 USD	LSMC
Kotalachi – Pimbahal – Nakabahil pavement improvement	<ul style="list-style-type: none"> This lane is a part of a core city settlement packed with traditional and modern buildings on both sides. It is strategically important for developing the 	50,000.00 USD	Users Committees

⁵ The cost estimates are tentative or ball park figures only.

	<p>heritage walk since the pavement is in bad condition. Improvement of the lane will facelift the area and will be beneficial for both visitors and locals.</p> <ul style="list-style-type: none"> • The lane can be equally useful as a short transit route from Gabahal to Patan Dhoka. 		
Ikachen area, Alko to konti pavement improvement and renovation of the Alko Dhwaka	<ul style="list-style-type: none"> • The locality of ikachen is inhabited by poor and vulnerable groups • The area has potential for tourism development due to the proximity to the World Heritage Site (WHS) and numerous heritage assets. In particular, a series of five Vihars (Suvarna Vihar, Gopichandra Vihar, Napichandra Vihar, Sunanda Vihar and Ananda Vihar) and several stone-spouts (Alko, Sitha, Dathu, Wasa) make the lane famous as the lane of Vihars and stone-spouts. • At the end of the lane there is a traditional gate – Alko Dhwaka - marking the ancient northern city boundary. 	70,000.00 USD	Users Committees
Tapa Hiti Square improvement (The improvements would include interventions for preserving the temple, organizing the parking space, creating a playing space for children, paving the square, developing small shops to generate economic activities, and provision of lighting and improving the Nyakhachuka-Tapahiti-Nyalkhu	<ul style="list-style-type: none"> • This square covers a large area consisting of several heritage assets (temple complex, hitis, patis) on one side, and an open area currently used as a parking space. • The vicinity of this square is inhabited by poor and vulnerable communities. • Developing it would bring life by attracting tourists, and generate economic activities. • The current parking space will be managed for parking of small vehicles. 	100,000.00 USD	LSMC

pavement).			
Pimbahal Area Improvement (The improvements would include pavement of the whole square, cleaning of the pond, and using the pond for recreation purpose)	<ul style="list-style-type: none"> • Pimbahal square, amidst the core city area with a large pond in the centre, has the potential to become a tourist attraction. The pond can be developed as a major tourist attraction. It is surrounded by the chandeshwari temple, five stupas of Chilanco Chaitya, patis and a traditional Vihar (Moo Baha). This pond is important for rain-water collection and storage, sub-surface water recharge for wells and hitis. • The pond can be developed as a recreational spot, for social gathering as well as religious activities. 	70,000.00 USD	Users Committees
Patan Dhoka Area Improvement (interventions will include development of the visitors desk, a public toilet, tourist information desk, ticket counter, etc.)	<ul style="list-style-type: none"> • This is the main entrance to Lalitpur City and the starting point of the existing tourist route. . • The area lacks required basic tourist facilities. 	50,000.00 USD	LSMC
Improvement of Balukha square (renovation of Ganesh Temple and brick paving of the square)	<ul style="list-style-type: none"> • This square is famous for its annual festival • This square will enhance the tourism activities in the area. • Improvement of the square will also improve the environment of the surrounding areas. 	70,000 USD	Users Committee
Dau Bahal Square Development	<ul style="list-style-type: none"> • This square is a large square and will enhance the tourism activities in the area. • Improvement of the square will improve the environment of the surrounding areas. 	50,000.00 USD	Users Committees
Pati Renovation at Nakabahil, Chalkhu, Akibahal (Dabali), Kayagunani (Pati)	<ul style="list-style-type: none"> • Investment will increase attractiveness of the area as tourism destination; • It will also increases communal activities in the 	100,000.00 USD	LSMC

	pati		
Sulima Agam Chen Temple Restoration	<ul style="list-style-type: none"> • Sulima is an important and ancient square consisting of historic monuments including the Agam Chhen (Building to practice tantric rituals) The Agam Chhen is built in traditional style with carved doors and windows and a pagoda temple-like roof. • Restoration of the Agam Chhen will conserve the heritage and attract tourists. 	50,000.00 USD	Users Committees
Conservation of Sunanda Vihar area in Ikhachhen	<ul style="list-style-type: none"> • Conserves the open area and temples of the Vihar • Adds value to the heritage walk • Conserves intangible heritage of religious and cultural practices related to the Vihar 	60,000 USD	Users Committee
Solid Waste Management of the project area (waste segregation campaigning, increase in number of waste bins in project area)	<ul style="list-style-type: none"> • Proper solid waste collection will improve the environment of the project area, and have a positive impact on tourism and local environment. 	20,000 USD	LSMC and Possibility of other partners
Traffic Management of the project area (identifying one way traffic and pedestrian routes, installation of traffic signage, orientation for community volunteers and security of travelers.)	<ul style="list-style-type: none"> • Proper traffic management will improve the movement of vehicles, pedestrian safety, and support growth of business activities. It will have a positive impact on movement of people, tourism and local economic development. 	10,000 USD	LSMC and Possibility of other partners

Annex V: PURPP Project Beneficiaries –Poorest and Most Vulnerable Categories in the Project Area

Group	Definition	Profile/Characteristics
<i>Income Poor</i>	Individuals below the Kathmandu Municipality Poverty Line of Rs. 40,933 per year*	Includes both food-poverty (poverty line based on 2,220 kilocalorie intake) and non-food poverty;* with earnings below the poverty line, families go hungry and cannot pay for basic necessities
<i>People with Unstable Incomes</i>	Daily wage earners, including but not limited to cleaners, street vendors, home-based workers, porters, laborers, artisans	Occupations subject to shocks where wages are earned daily or on piece-rate basis; not earning for a day results in inability to pay for food or basic necessities
<i>Unemployed</i>	Individuals who do not have a job, but are actively seeking work	Unemployed are either income poor or at a high risk of becoming income poor. Could be related to lack of education (not holding a SLC/+2 degree) and/or lacking productive assets (for investment or to generate revenue)
<i>Ethnic Groups/Religious Minorities that are Non-Indigenous to Project Site</i>	Historically marginalized ethnic groups that are non-indigenous to the project area including but not limited to Tamangs, Magars, Rais, Gurungs, Yadavs; and religious minorities like Muslims, Christians and Kirats (See Annex 1 for a full list of historically marginalized ethnic groups)	As ethnic groups that are considered historically marginalized, these groups are at the risk of social exclusion especially since they are also non-indigenous to the project area.
<i>Historically Marginalized Castes</i>	Groups that are in the bottom of caste hierarchy and were formerly considered	Marginalized groups that are considered subordinate are at high risk of social exclusion and poverty due to reasons of social stratification and occupational hierarchy.

	‘untouchables’ (see Annex 2 for full list of historically marginalized castes and occupations)	
<i>Disabled Individuals</i>	Individuals suffering from mental or physical disabilities	Disabilities preventing employment and/or reinforcing social exclusion
<i>Youth</i>	Individuals in the 16-24 age range	Youth faces challenges entering the job market with limited experience, skills and possible education; unable to find economic opportunities to match educations and skills; vulnerable to social ills of drugs and violence
<i>Women</i>		Women face gender-specific challenges and discrimination –in particular in entering the job market – partially as a result of the caste system’s patriarchal culture. Most vulnerable women include, but are not limited to, heads of households, women with unemployed spouses and many dependents, single women
<i>Elderly</i>	Individuals over 60	Elderly tend to lack a safety net due to being neglected by, or lacking guardians
<i>Workers/artisans working under unhealthy or hazardous conditions</i>	Workers/artisans working under the following unhealthy or hazardous conditions: poor ventilation, weak lighting, handling of adulterated and hazardous metals such as Mercury/Gold or Silver/Cadmium	Unhealthy and hazardous working conditions pose significant health and safety risks, thus increasing risk of income poverty in the long run
<i>Residents of neighborhoods with poor living conditions</i>	Neighborhoods with poor infrastructure (lack of road access, dilapidated housing)	Residents of neighborhoods with poor living conditions are at high risk of income poverty, unemployment and social segregation

Note: * CBS. (2011) Poverty in Nepal. (Publication in Nepali, published 2068 BS entitled *Nepalma Garibi*)⁶

⁶ CBS (2011) Poverty in Nepal. (Publication in Nepali, published 2068 BS entitled *Nepalma Garibi*) Page 5 [<http://cbs.gov.np/wp-content/uploads/2012/Surveys/CBS%20view%20on%20poverty%20in%20Nepal.pdf>]

Annex VI: List of Agreed Actions

Participatory Plan for Pro-poor Urban Regeneration

Action	Agency	Milestone Date
Select municipal investments for FY 2014/15	LSMC	July 15, 2014
Complete review of the participatory plan by the Steering Committee	KVDA	August 1, 2014
Approve participatory plan (priority)	LSMC	At next council meeting planned for July 2014

Grant Facility for Pro-poor Urban Regeneration

Action	Agency	Milestone Date
Prepare draft call for proposal and supporting documentation for the grant facility (priority)	PMT	August 31, 2014
Carry out training needs assessment for business plan development and provide support for business plan preparation to interested businesses	PMT	August 31, 2014
Establish Approval Committee for the grant facility	KVDA/LSMC	August 31, 2014
Complete designs for the first package of municipal investments (priority)	PMT	September 30, 2014
Carry out outreach program for the grant facility and provide training for prospective sub-grant proponents	PMT	September 30, 2014

Project Management/M&E

Action	Agency	Milestone Date
Establish separate project office with necessary support staff	PMT	August 31, 2014
Publish the EoI for baseline household survey	PMT	September 30, 2014

Financial Management

Action	Agency	Milestone Date
Notify the World Bank of the signatories	MoF	July 15, 2014
Open the Designated Account	PMT	July 15, 2014
Submit the first withdrawal application	PMT	August 1, 2014

Procurement

Action	Agency	Milestone Date
Complete the hiring of the municipal engineer, procurement and institutional development consultants. (priority)	PMT	July 31, 2014
Prepare procurement plan for FY 2014/15	PMT	July 31, 2014
Finalize the ToR and publish EoI for PSC (priority)	PMT	August 31, 2014

Safeguards

Action	Agency	Milestone Date
Complete social and environmental screening of municipal investments for FY 2014/15	PMT	September 30, 2014