



Technical Assistance Report

Project Number: 39525
January 2006

Technical Assistance
Kingdom of Nepal: Enhancing Poverty Reduction
Impact of Road Projects
(Financed by the Poverty Reduction Cooperation Fund)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 24 November 2005)

Currency Unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.0135
\$1.00	=	NRs73.58

ABBREVIATIONS

ADB	–	Asian Development Bank
DOR	–	Department of Roads
NGO	–	nongovernment organization
RMDC	–	Rural Microfinance Development Center
RNDP	–	Road Network Development Project
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	Targeted intervention
Sector	–	Transport and communications
Subsector	–	Roads and highways
Theme	–	Inclusive social development
Subtheme	–	Other vulnerable groups

NOTE

In this report, "\$" refers to US dollars.

Vice President	L. Jin, Operations Group 1
Director General	K. Senga, South Asia Department (SARD)
Country Director	S. Hafeez Rahman, SARD
Mission leader	N. Sapkota, Social Environment Officer, SARD

I. INTRODUCTION

1. The Government of Nepal (the Government) has requested the Asian Development Bank (ADB) for technical assistance (TA) for capacity building of the Department of Roads (DOR) and for a pilot project to enhance the poverty reduction impact of its road projects.¹ A Fact-Finding Mission (the Mission)² was conducted from 20 to 30 June 2005 and discussions were held with relevant government agencies, donors, and civil society groups. This TA paper is based on the discussions and understanding between the Government and the Mission on the impact, outcome, outputs, scope, cost estimates and financing plan, implementation arrangements, and terms of reference.

II. ISSUES

2. Nepal is still one of the world's poorest countries, with low per capita income and a high incidence of poverty. Poverty is more prevalent and severe in rural areas, where its incidence is almost double that of urban areas. Underprivileged social groups are the most impoverished.

3. The Poverty Reduction Strategy and Tenth Plan of the Government highlight the need to address chronic poverty and social exclusion. The Tenth Plan is built on four pillars: (i) broad-based economic growth, (ii) social development, (iii) targeted programs for excluded groups, and (iv) good governance to bring the poor into the mainstream development process.

4. In line with the Tenth Plan and Poverty Reduction Strategy, ADB's Country Strategy and Program (2005–2009) proposes to foster broad-based and inclusive social and economic development to achieve sustained poverty reduction. ADB's support for a more inclusive development process will assist the Government to improve access for the poor to basic services, enhance their opportunities for economic advancement, boost their participation in the development process, and address disadvantaged groups' needs more directly and effectively.

5. A major focus of the Government's Tenth Plan and ADB's country strategy and program in the transport sector is to reduce regional socioeconomic disparities through increased connectivity. This will significantly ease social tensions as less developed regions are integrated with Nepal's mainstream market economy. Transport connectivity will also foster broad-based growth and support gradual shift away from subsistence agriculture to commercial agriculture and non-farm activities, which are vital to strong poverty reduction impacts.

6. The poverty intervention concept is still new in the transport sector agencies, and especially in the DOR, which is the key government agency responsible for construction and maintenance of the country's road network. It lacks clear guidelines, systems, and staff with skills necessary to address poverty issues in its operations. As a result, there is room to enhance the extent of direct poverty reduction impacts for most road projects. In the absence of adequate poverty intervention support, the majority of poor people in the vicinity of road project sites are less likely to benefit from road construction and upgrading.

¹ The TA first appeared in *ADB Business Opportunities* on 15 August 2005. The TA concept paper was approved by Management on 11 August 2005.

² N. Sapkota, Social Environment Officer, Nepal Resident Mission, was mission leader. S.H. Rahman, Country Director, Nepal Resident Mission, provided overall guidance to the Mission. P. Logan, Project Administration Unit Head participated in selected meetings. R. Dhakal, Road Network Development Project Social Development Specialist participated during field visits on 22–25 June. S. Ra, Senior Country Programs Specialist, assisted on TA processing issues.

7. The Government has expressed strong commitment to develop the DOR's capacity for dealing more directly with poverty issues in road construction and rehabilitation. The DOR has also planned to set up a social development unit, develop appropriate guidelines, and carry out a poverty intervention pilot program on some roads under the ADB-financed Road Network Development Project (RNDP).

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The TA will help the Government to implement a pilot project and develop DOR capacity for enhanced direct poverty reduction impacts of road projects. The expected TA outcomes are (i) enhanced skills and income generation capacity among wage laborers and poor households, (ii) institutional strengthening of local nongovernment organizations (NGOs) to serve the poor, and (iii) increased DOR capacity to enhance poverty reduction impacts of road projects. The TA design and monitoring framework is in Appendix 1.

B. Methodology and Key Activities

9. Consisting of two parts, the TA will include implementing a pilot project and developing interim guidelines for DOR to enhance direct poverty reduction impacts of road projects.

1. Pilot Project

10. A pilot project will be implemented as a supplementary component of the RNDP to maximize poverty reduction impacts of three roads under improvement (Damak-Gauriganj, Pauwa-Phidim, and Biratnagar-Bardanga-Urlabari) in Morang, Jhapa, and Panchthar districts. These roads have high potential for poverty reduction impacts. Partner NGOs of the Rural Microfinance Development Center (RMDC), which is the Implementing Agency for the ADB-financed Rural Microfinance Project, are already operating in these districts, although they have not yet extended their services to the poor living near these road sites. In the interest of effectiveness and sustainability, the TA will draw on existing RMDC programs in these districts and use existing NGOs to implement the pilot project. The TA will finance initial overhead costs for NGOs to expand their existing services to the RNDP road sites and for implementing new activities under the pilot scheme. The NGOs will organize poor laborers, organize affected people and other poor and vulnerable people into groups, and provide skills training and income generating activities. The RMDC will then provide microfinance to these groups.³ About five groups (each comprising 20 households) will be formed in each 20–25 km section of these five road sections. In this way, the pilot project will take in a total of about 500 households. The NGOs will use funds already available under the RMDC for the microfinance needs. DOR staff and TA consultants will coordinate the activities of NGOs. Similarly, DOR staff, consultants, and NGOs will also work with the contractors and local government agencies to maximize the Project's benefits among the poor. The DOR has committed to continue the activities initiated under the pilot project in partnership with local NGOs for an adequate length of time to ensure their sustainability, and it will also evaluate results. These will be used to learn lessons and improve design and benefits. This feedback process, then, will be institutionalized within DOR as a framework for enhanced poverty reduction impacts in road projects.

³ The social survey team under the RNDP has identified the list of such target households. The TA consultants and NGOs will coordinate with the RNDP team.

11. The pilot project will include mainly three types of activities: (i) situation analysis, needs assessments, and social mobilization; (ii) skills training, income generation, and marketing and/or community development; and (iii) monitoring and evaluation. The pilot project will be implemented in a phased manner (paras. 12–14).

12. **Phase 1: Situation Analysis, Needs Assessment, and Social Mobilization (3 months).** Most of the poor households and laborers are unorganized. They first need to be studied and organized into groups so that they can be effectively mobilized to achieve the Project's objectives. Several activities will be carried out in this respect, including:

- (i) Stocktaking of existing relevant programs in the RNDP roads' areas of influence.
- (ii) Engaging NGOs identified in the districts as service providers.
- (iii) Finalizing training programs and identifying trainers.
- (iv) Disseminating project-related information to local stakeholders (public meetings, distribution of pamphlets, meetings with labor and poor groups).
- (v) Collecting baseline socioeconomic information and data and identifying target households.
- (vi) Selecting poor households and organizing them into groups.
- (vii) Providing training to the groups on group management, savings, credit, and bookkeeping.

13. **Phase 2: Skills Training, Income Generation, and Marketing and/or Community Development (12 months).** This is a key component of the pilot project. NGOs will help the target groups to identify and implement appropriate income generation activities. Each group will be provided with appropriate skills training and income generation support. While specific activities and beneficiaries will be finalized by NGOs during implementation, the activities shown in Table 1 have been suggested by local stakeholders consulted during the field visits to the RNDP districts:

Table 1: Potential Income-Generating Activities Suggested by Local Stakeholders

<p>A. Improved Agriculture Practices</p> <ol style="list-style-type: none"> 1. Vegetable and cash crops 2. Pig and goat raising 3. Veterinary services 4. Dairy related activities <p>B. Microenterprise and Jobs Skills</p> <ol style="list-style-type: none"> 1. Carpentry, plumbing, and wiring 2. Technician skills (e.g., repairing radios, cycles) 3. Carpet and local garments 4. Food processing, such as producing noodles and pickles 5. Trading at local weekly markets 	<p>C. Marketing and/or Community Development Activities</p> <ol style="list-style-type: none"> 1. Setting up stalls for the poor at local market centers 2. Developing market cooperatives 3. Linkages to main market centers 4. Planting fruit trees in road alignment 5. Coordination with line agencies for public services that promote income generation and community development
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Source: ADB fact-finding mission.

14. **Phase 3. Monitoring and Evaluation (3 months).** DOR staff, TA consultants, and NGOs will closely monitor the pilot project. Each activity will be carefully evaluated after its completion. The lessons learned from the pilot program will be considered while developing and finalizing the interim guidelines for DOR. Several activities will be carried out in this phase:

- (i) Monitoring the process and results of the pilot activities.
- (ii) Performing a baseline survey prior to starting the pilot activities and a survey after project completion to determine the benefits of the pilot intervention.

- (iii) Preparing a similar survey of a control group that does not benefit from the pilot project to discount any external influences.
- (iv) Collecting feedback from targeted beneficiaries, government agencies, NGOs, community-based organizations, and other relevant stakeholders about the pilot program's effectiveness.
- (v) Preparing monitoring reports and discussing the findings with DOR.
- (vi) Using lessons learned from the pilot program in drafting the interim guidelines.
- (vii) Developing a scaling-up or follow-up plan based on this experience.
- (viii) Disseminating the findings through various communication channels.

15. Based on information provided by the NGOs consulted during field visits by the Fact-Finding Mission, the cost of the pilot activities is tentatively estimated at \$4,000 per group. Thus, the pilot project will need a total of about \$100,000 for 25 groups in five road sections.

2. Developing Interim Guidelines for the DOR

16. The TA will assist the DOR to develop interim guidelines to enhance poverty reduction impacts of its road projects. The DOR has planned to set up a social development unit.⁴ The Government has committed to provide adequate resources and to continue and maintain this unit. The TA consultants will train and work with staff at the social development unit to develop the interim guidelines. Consultation meetings at various levels will be organized to obtain views from the various stakeholders, including two workshops at each road section (one during inception and another at the end of the pilot scheme) and three workshops at the national level (during inception, after 12 months, and at the end of the TA). The experience and results of the pilot project will be taken into consideration while developing the interim guidelines,⁵ and the Project will also draw experience from other similar donor projects in Nepal.

17. Lessons from the relevant efforts of the Government and other donors have been incorporated into the design of this TA.⁶ These include the need for (i) targeting the poorest of the poor while selecting the beneficiaries; (ii) effective participation of local stakeholders as well as senior Government staff from the very beginning of the Project; (iii) simplicity of the project modality; (iv) close monitoring, accountability and transparency at the local level; (v) linkage with local agencies and NGOs; and (vi) Government ownership of the TA outputs.

C. Cost and Financing

18. Total cost of the TA is estimated to be \$430,000 equivalent, of which \$55,000 is foreign exchange cost and \$375,000 equivalent is local currency cost. The Government has requested ADB to finance \$350,000 equivalent, covering the entire foreign cost and \$295,000 equivalent of the local currency cost. The TA will be financed on a grant basis by the Poverty Reduction Cooperation Fund to be administered by ADB. The Government will finance the balance of the

⁴ Although the DOR's plan to establish a social development unit is not specifically for this TA, it will most appropriately serve in implementing the TA, and the TA will likewise help to strengthen the social development unit.

⁵ After 2 years of implementation, the interim guidelines will be reviewed and ADB may provide further assistance to finalize the guidelines or mobilize other funding to ensure completion of the pilots and finalizing the guidelines.

⁶ ADB. 1996. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the Rural Infrastructure Development Project*. Manila. The community-based road projects financed by German Agency for Technical Assistance (Deutsche Gesellschaft für Technische Zusammenarbeit) and United Kingdom's Department for International Development have incorporated poverty intervention components.

local currency cost, equivalent to \$80,000. Details of the cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

19. The DOR will be the Executing Agency. Its social development unit will coordinate overall TA implementation. The DOR will provide counterpart staff and office accommodation for the TA consultants. Its Project Directorate will coordinate the pilot activities. While implementing the pilot project, the DOR will also coordinate with district development committees, village development committees, and relevant line agencies in the respective districts.

20. The TA will be implemented over 18 months. The first 3 months will be spent in finalizing the Program, selecting partner NGOs, needs assessment, and social mobilization. The next 12 months will be devoted to implementing the pilot activities. The last 3 months will be used to evaluate the program while finalizing the interim guidelines and incorporating the lessons learned from the pilot scheme.

21. There will be total consultancy inputs of 37.5 person-months, 1.5 of which will be international and 36 domestic. The international consultancy will be provided by a social development specialist. The domestic consultancy will include one social development specialist and one gender and/or social inclusion expert. The consultants will be selected and engaged individually by ADB in accordance with ADB guidelines.⁷ Outline terms of reference are attached as Appendix 3.

22. The TA will also require the services of NGOs to implement the pilot project activities. One NGO will be engaged for each road section.⁸ NGOs will be selected and engaged directly by ADB from among those who are already working with RMDC under an ADB-financed microfinance project in the respective project districts. NGOs will work in coordination with line agencies in the district and are expected to continue their microfinance activities beyond the pilot phase. Outline terms of reference and eligibility and selection criteria are presented in Appendix 4. Procurement of equipment will be undertaken in accordance with ADB guidelines and will be turned over to the Government after completion of the TA.⁹

23. The TA is expected to commence in February 2006 and be completed in August 2007. The consultants will submit an inception report within 1.5 months after the start of the TA, progress reports every 3 months, a draft final report after completion of the core TA activities, and a final report after incorporating ADB's comments. The consultants will provide all of the above reports to the Executing Agency and ADB.

IV. THE PRESIDENT'S DECISION

24. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$350,000 to the Government of Nepal to be financed on a grant basis by the Poverty Reduction Cooperation Fund for Enhancing Poverty Reduction Impact of Road Projects, and hereby reports this action to the Board.

⁷ ADB. 2005. *Guidelines on the Use of Consultants by ADB and Its Borrowers*. Manila.

⁸ While Pauwa-Phidim (23 km) and Damak-Gauriganj (22 km) will have one NGO on each road, Biratnagar-Bardanga-Urlabari-Bardanga (65 km) will have three NGOs, i.e., one NGO for about 22 km.

⁹ ADB. 2004. *Guidelines for Procurement under Asian Development Bank Loans*. Manila.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Enhanced direct poverty reduction impacts of DOR's road projects	Poverty incidence among the 500 beneficiary households reduced from 75% in 2005 to 37% in 2010.	Collection of additional statistics regarding local areas by DOR and nongovernment organizations (NGOs) at inception, completion, and 3 years thereafter. Project performance evaluation report	
Outcome 1. Increased livelihood opportunities for poor people in five road sections. 2. Enhanced capacity of NGOs and microfinance organizations to serve the poor. 3. DOR capacity to enhance poverty reduction impact developed.	At least one member from each household engaged in income generating activities. NGOs capable to cater microfinance services to more than 500 poor households. Support obtained for pro-poor road projects modality from DOR senior decision makers and technical capacity enhanced among social development unit staff'.	TA completion report Report on microfinance NGOs Monitoring reports by DOR	Assumptions Continued employment opportunities . District NGOs will continue their operation and willingness to serve poor people. DOR will approve and enforce the interim guidelines.
Outputs 1. Wage laborers and poor households organized under the scheme. 2. Enhanced life skills training and income generation capacity. 3. Institutional strengthening of NGOs in RNDP districts. 4. Interim guidelines prepared for DOR.	5 groups (at least 50% women) in each road section (5 * 20 households * 5 road sections = 500 households). Each group receives 3 packages of skills training and income generation activities. 5 NGOs trained and supported. Interim guidelines developed and submitted for Government approval.	Consultants reports Training reports Consultants reports Draft and final interim guidelines	Assumptions DOR willing to carry out pilot program to enhance poverty reduction impacts of road projects. NGOs willing to work in the districts. Risk Delays in approval of the interim guidelines
Activities with Milestones 1.1 Carry out situation analysis and needs assessments; select target beneficiaries and organize them into groups by April 2006.			Inputs ADB: <ul style="list-style-type: none"> • Consultants \$145,000 • Services of NGOs \$25,000

<p>2.1 Pilot test skills training and income generation activities for poor laborers and other very poor people by May 2007.</p> <p>3.1 Select NGOs, provide training to NGO staff, and engage them to implement pilot program by March 2006.</p> <p>3.2 Carry out regular monitoring and evaluation activities, and develop a follow-up plan by May 2007.</p> <p>4.1 Draft interim guidelines and organize consultation workshops to finalize them by July 2007.</p> <p>4.2 Disseminate findings through various means by August 2007.</p>	<ul style="list-style-type: none"> • Report and Communications \$2,000 • Pilot Project \$100,000 • Workshops and Seminars \$16,000 • Support Costs \$10,000 • Contingencies \$52,000 <p>Government:</p> <ul style="list-style-type: none"> • Office Accommodation \$45,000 • Remuneration and Per Diem of Counterpart Staff \$20,000 • Others \$15,000
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ADB = Asian Development Bank, DOR = Department of Roads, NGO = nongovernment organization, RNDP = Road Network Development Project, TA = technical assistance.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Poverty Reduction Cooperation Fund^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	40.00	0.00	40.00
ii. Domestic Consultants	0.00	90.00	90.00
iii. Nongovernment Organizations	0.00	25.00	25.00
b. International and Local Travel	5.00	10.00	15.00
c. Reports and Communications	0.00	2.00	2.00
2. Pilot Project	0.00	100.00	100.00
3. Workshops and Seminars	0.00	16.00	16.00
4. Miscellaneous Administration and Support Costs	0.00	10.00	10.00
5. Representative for Contract Negotiations	0.00	0.00	0.00
6. Contingencies	10.00	42.00	52.00
Subtotal (A)	55.00	295.00	350.00
B. Government Financing			
1. Office Accommodation and Transport	0.00	45.00	45.00
2. Remuneration and Per Diem of Counterpart Staff	0.00	20.00	20.00
3. Others	0.00	15.00	15.00
Subtotal (B)	0.00	80.00	80.00
Total	55.00	375.00	430.00

^a Administered by the Asian Development Bank.
Source: Asian Development Bank estimates .

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) aims to increase livelihood opportunities for poor families within the areas of project roads while providing capacity building support to the Department of Roads (DOR) of the Government of Nepal. The key TA activities will include (i) institutional support to DOR to develop its interim guidelines to enhance poverty reduction impacts of road projects, and (ii) piloting poverty intervention activities in five Road Network Development Project (RNDP) road sections.

2. There will be total inputs of 37.5 person-months of consultancy, including 1.5 international and 36 domestic. The international consultancy will consist of a social development specialist. The domestic consultancy will include a social development specialist and team leader plus a gender and/or social inclusion specialist. The consultants will be recruited individually by ADB in accordance with ADB guidelines. Outline terms of reference are as follow:

A. Social Development Specialist and Team Leader (domestic, 18 months)

3. The social development specialist and team leader should have several years of experience in social development in Nepal. Experience in developing and implementing poverty intervention programs is preferred. With support of the other TA consultants, he or she will have overall responsibility to implement the TA activities, including:

1. Preparation of Interim Guidelines

- (i) Coordinate and communicate with DOR counterpart staff.
- (ii) Review relevant policies and practices on poverty intervention in road projects and synthesize the lessons learned.
- (iii) Draft interim guidelines for DOR to enhance poverty reduction impacts of roads.
- (iv) In close association with the executing agency, finalize the draft interim guidelines and organize stakeholder workshops to discuss them.
- (v) Conduct broad-based consultations with all stakeholders concerned, including civil society, government agencies, local bodies, and donors.
- (vi) Prepare a follow-up action plan to implement the interim guidelines.

2. Implementation of Pilot Activities

- (i) Identify nongovernment organization (NGO) partners for the five RNDP road sections.
- (ii) Brief NGO partners about the Project and the methodology.
- (iii) Undertake institutional analysis of selected NGOs.
- (iv) Arrange and assist in appropriate institutional strengthening for selected NGOs.
- (v) Design and implement training and/or workshops for NGO staff.
- (vi) Supervise the NGOs in forming savings and credit groups and implementing the pilot program.
- (vii) Liaise with the RNDP project offices and project managers.
- (viii) Recommend release of funds to NGOs.
- (ix) Coordinate with the Rural Microfinance Development Center for releasing credit funds to NGO partners.
- (x) Organize and participate in meetings with stakeholders.
- (xi) Monitor pilot activities, including surveying of beneficiaries and a control group to determine the benefits of the project intervention.
- (xi) Encourage NGOs to conduct public audits of their programs and to demonstrate transparent record keeping.

- (xii) Carry out other necessary activities for successfully implementing the pilot project.
- (xiii) Finalize and forward copies of the inception report, progress reports, draft final report, and final report to the Government and ADB.

B. Social Development Specialist (international, 1.5 months)

4. The social development specialist should have several years of international experience in social development. Experience in preparing and implementing poverty intervention programs is preferred. His or her responsibilities will include the following:

- (i) Assist and guide the domestic consultants and NGOs to finalize and effectively implement the overall TA activities, including the pilot project.
- (ii) Guide the domestic consultants to develop and conduct training for NGO staff.
- (iii) Provide guidance to the domestic consultants and NGOs to develop a monitoring and evaluation plan, including a survey of beneficiaries and a control group before and after project intervention.
- (iv) Review the progress reports and consultative documents prepared by domestic consultants and assist to finalize them.
- (v) Review the draft interim guidelines prepared by domestic consultants in coordination with the executing agency and finalize them, ensuring that these are consistent with the guidelines of Nepal's major donor partners.
- (vi) Participate in a consultative workshop and meetings with various stakeholders including DOR.
- (vii) Provide overall support and guidance to the TA team and NGOs to effectively implement the pilot activities and synthesize the lessons learned based upon their outcomes.
- (viii) Monitor and evaluate the pilot activities implemented by NGOs in the districts.
- (ix) Assume overall responsibility for quality assurance of the TA outputs and pilot project.

C. Gender and/or Social Inclusion Expert (domestic, 18 months)

5. The domestic gender and/or social inclusion expert should have experience in gender and social inclusion in Nepal and preferably experience in poverty intervention. His or her responsibilities will include the following:

- (i) Review national and international practices and provide an assessment on the road's impacts on women, ethnic minorities, and vulnerable groups.
- (ii) Carry out consultative meetings to ascertain roads' impact on women, ethnic minorities, and vulnerable groups.
- (iii) Prepare a consultative document that offers gender and social analysis of Nepal's road projects.
- (iv) Make specific recommendations to ensure that issues of gender, ethnic minorities, and vulnerable groups are addressed by the pilot project and incorporated into the DOR interim guidelines.
- (v) Assist and supervise NGOs to successfully implement the pilot project in the districts.
- (vi) Carry out monitoring and evaluation activities of pilot activities, including surveys of beneficiaries and a control group to determine the impacts and benefits among women, ethnic minorities, and vulnerable groups.
- (vii) Assist the TA team to carry out the TA activities as needed.

TERMS OF REFERENCE AND ELIGIBILITY AND SELECTION CRITERIA FOR NONGOVERNMENT ORGANIZATIONS (NGOs)

1. The pilot project will be implemented through partner NGOs of the Rural Microfinance Development Center (RMDC), Implementing Agency for the ADB-financed Rural Microfinance Project. One NGO will be engaged for each of five 20–25 km road sections. The technical assistance (TA) will support the NGOs to expand their services into the Road Network Development Project (RNDP) areas. The TA will finance the initial overhead costs of the NGOs (such as for setting up new site offices) and the pilot activities. However, the NGOs will use funds already available under the microfinance project for the microfinance needs. Apart from microfinance, the NGOs will identify and implement skills training and income generation activities to be financed under the pilot scheme. The Department of Road's (DOR) social development unit and TA consultants will coordinate the activities of the NGOs.

2. The TA will require about 180 person-months of NGO staff to implement the pilot project. Each NGO will provide the services of 1 social mobilizer and 1 coordinator during the 18 months of the TA. The services will mainly include group formation and mobilization, microfinance service delivery, skills training, income generation, and marketing and/or community development activities. The NGOs will be recruited according to procedures acceptable to ADB.

- 3 To be eligible for selection under this TA an NGO must
 - (i) be affiliated or working with the RMDC;
 - (ii) be operating locally in the RNDP road districts;
 - (iii) be legally registered in Nepal;
 - (iv) have received a license to operate microfinance in the respective district;
 - (v) have relevant experience;
 - (vi) maintain a proper accounting and financial system that is audited by a registered accountant;
 - (vii) be committed to the principles of gender equality and social inclusion; and
 - (viii) demonstrate capability to undertake skills training, income generation, and marketing and community development activities.

4. Each NGO will deploy a program coordinator to liaise with the RNDP and be responsible for running the pilot program in its respective road section. The NGO will also deploy one experienced social mobilizer to manage the savings and credit scheme groups, deliver the enhanced life skills training, and run income generation and marketing and/or community development activities as identified. In summary, each NGO's overall responsibilities will be the following:
 - (i) Participate in the institutional analysis of its NGO.
 - (ii) Undertake capacity building training of NGO staff with the help of TA consultants.
 - (iii) Deploy an experienced coordinator to manage the program.
 - (iv) Deploy a social mobilizer to manage about five groups in each road section.
 - (v) Identify target beneficiaries and mobilize them into groups.
 - (vi) Undertake needs assessment and social mobilization activities.
 - (vii) Conduct the pilot scheme in each group.
 - (viii) Conduct marketing research before embarking on income generation projects.
 - (ix) Help the groups identify and implement skills training, income generation, and marketing and/or community development activities targeting the poor households.
 - (x) Supervise and monitor pilot program activities, including a survey of beneficiaries and a control group before and after the pilot intervention to determine the impact and benefits.

- (xi) Help groups establish linkages with the private sector, NGOs, government service providers, and financial institutions, as appropriate.
- (xii) Coordinate with other service providers (district development committees, village development committees, RMDC, district agriculture office, district forest office, etc.), as required while implementing the pilot program.
- (xiii) Liaise with and provide support to the project office and RNDP consultants, as needed.
- (xiv) Produce monthly, quarterly, and final progress reports.