

Validation Report
July 2020

Nepal: Decentralized Rural Infrastructure and Livelihood Project

Reference Number: PVR-694
Project Numbers: 38426-023 and 30232-013
Loan Numbers: 2092, 2796, and 8257
Grant Number: 0267

Independent
Evaluation  ADB

Raising development impact through evaluation

ABBREVIATIONS

ADB	–	Asian Development Bank
CSP	–	country strategy and program
DDC	–	district development committee
DOLIDAR	–	Department of Local Infrastructure Development and Agricultural Roads
DPO	–	district project office
DRILP	–	Decentralized Rural Infrastructure and Livelihoods Project
EIRR	–	economic internal rate of return
GESI AP	–	gender equality and social inclusion action plan
km	–	kilometer
MTR	–	midterm review
PCR	–	project completion report
RRP	–	report and recommendation of the President
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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PROJECT BASIC DATA

Project numbers	38426-023 and 30232-013	PCR circulation date	14 Nov 2019	
Loan/Grant numbers	2092, 2796, 8257, and 0267	PCR validation date	Jul 2020	
Program name	Decentralized Rural Infrastructure and Livelihood Project			
Sector and subsector	Agriculture, natural resources, and rural development Transport	Agricultural policy, institutional and capacity development Road transport (nonurban)		
Strategic agenda	Inclusive economic growth			
Safeguard categories	Environment		B	
	Involuntary resettlement		B	
	Indigenous peoples		B	
Country	Nepal		Approved (\$ million)	Actual (\$ million)
ADB financing (\$ million)	ADF: 65.00	Total project costs	143.46	148.51
	OCR: 0.00	Loan L2092	40.00	39.72
		L2796	25.00	21.12
		Grant G0267	7.00	6.35
		Borrower		
		L2092	16.40	24.70
	L2796	13.29	19.28	
		Beneficiaries		
		L2092	5.00	1.60
		L2796	1.10	1.15
Cofinanciers	L2092	Total cofinancing		
		SDC	7.90	7.90
	L8257 L2796	GIZ	0.70	0.00
		OFID	20.00	19.63
	SDC	7.07	7.06	
Approval date	L2092 L2796 L8257 G0267	Effectiveness date		
		L2092	1 Mar 2005	31 Oct 2005
		L2796	30 Dec 2011	23 Apr 2012
		L8257	30 Dec 2011	6 Feb 2013
	G0267	30 Dec 2011	23 Apr 2012	
Signing date	L2092 L2796 L8257 G0267	Closing date		
		L2092	31 Oct 2011	26 Jan 2012
		L2796	30 Jun 2017	5 Apr 2019
		L8257	28 Feb 2017	11 Sep 2019
	G0267	30 Jun 2017	4 Apr 2019	
Project officers	B. Fawcett L. Sharma	Location	From	To
		ADB headquarters	Dec 2004	Aug 2005
	N. Chand	Nepal Resident Mission	Aug 2005	May 2007
		Nepal Resident Mission	Jun 2007	Dec 2010
	A. Shrestha	Nepal Resident Mission	Dec 2010	Dec 2011
	A. Cauchois	ADB headquarters	Mar 2010	May 2010
R. Khan	ADB headquarters	Oct 2011	Dec 2011	
L. Subedi	Nepal Resident	Dec 2011	Sep 2019	

		Mission		
IED review Director Team leader	N. Subramaniam, IESP Shimako Takahashi, Evaluation Specialist, IESP*			

ADB = Asian Development Bank, ADF = Asian Development Fund, GIZ = Deutsche Gesellschaft für Technische Zusammenarbeit, IED = Independent Evaluation Department, IESP = Sector and Project Division, OCR = ordinary capital resources, OFID = OPEC Fund for International Development, PCR = project completion report, SDC = Swiss Agency for Development and Cooperation.

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I. PROJECT DESCRIPTION

A. Rationale

1. At the time of project design, Nepal was among the poorest countries in the world. Poverty is high in rural areas where the incidence rate is 44%, which is almost double that in urban areas at 23%. Poverty incidence rate at 72% in the midwestern and far western regions and 56% in the mountain districts were much higher than the national average. The hill and mountain districts of these regions ranked lowest in socioeconomic and infrastructure development. Their livelihood indicators and road densities, which are substantially lower than in other districts, and their limited market access exacerbated poverty in these areas.

2. Problems in mountain areas were aggravated by the civil war between 1996 and 2006. The civil conflict displaced about 400,000 landowners and directly affected 2.4 million people, primarily in the western regions. Poor access to inputs, services, and markets due to rugged terrain made it hard to increase agricultural productivity. Hence, improving physical access was seen as a prerequisite for significant economic development, mainly through reduced transport costs. It was also necessary to enhance the livelihood opportunities of socially excluded groups affected by the civil conflict. This would have to entail increasing consumer spending, diversifying agricultural production in rural mountain areas, and helping the residents with better government services.

B. Expected Impacts, Outcomes, and Outputs

3. The Decentralized Rural Infrastructure and Livelihood Project (DRILP), as originally formulated, was aimed at reducing rural poverty in 18 remote mountain districts affected by the civil conflict. The project was expected to (i) achieve increased access to economic and social services; and (ii) enhance local social and financial capital for people in the project area, particularly for the poor and disadvantaged groups in conflict areas. The project had two components. Component 1—Community Development and Rural Livelihood Restoration—was to increase the awareness and participation of local communities in the planning, implementation, and maintenance of rural infrastructure and in other development activities. It was also expected to increase their utilization of the new and rehabilitated physical infrastructure provided for community economic and social activities from supplementary investments. Component 2—Capacity Building and Decentralized Local Governance—was to increase the communities' capacity for planning, implementing, and maintaining rural infrastructure at the district, village, and national levels. Component 3—Rural Transport Infrastructure—was to have new and upgraded rural transport infrastructure built with labor-based, environmentally sound, and participatory construction approach. Component 4 was to focus on project management services.

C. Provision of Inputs

4. The project's appraisal was done in February 2004.¹ It was approved in September 2004 and became effective in October 2005, 7 months later than planned due to issues relating to the civil conflict. However, implementation generally made good progress, with disbursements reaching 90% by mid-2011.

5. The Asian Development Bank (ADB) provided a grant of \$400,000 for the Technical Assistance for Capacity Building in Rural Infrastructure Institutions.² The technical assistance (TA) commenced in November 2006 and was completed in December 2009. It supported the Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR) in implementing the Local Infrastructure Development Policy, which used a three-pronged approach. These were (i) establishing best practices and procedures, (ii) enhancing defined and quality service provisions, and (iii) preparing long-term implementation plans. The TA completion report rated the TA grant successful. It noted that the international team leader used only 3 months compared to the planned 10 months, while the actual cost of the TA was \$256,000 compared to the budget of \$400,000—despite an extension of 2 years. The positive TA outcomes suggest that the consultant team performed well.

6. From 2010 to 2011, additional financing was sought to increase the effectiveness of the project. The additional fund was to innovate road maintenance program, improve the access of the rural poor to microfinance, strongly promote the use of building groups, restructure the targeted skills training, and sharpen the focus on national and district capacity. A loan and a grant were eventually prepared and approved in October 2011.³ Loan 2796 in the amount of \$18 million and Grant 0267 of \$7 million became effective in April 2012. The original project was closed on time in October 2011. ADB Board approval of the additional loan was on the same day as the project's closing in October and it became effective in April. It was closed in June 2017 as planned.⁴

7. The Swiss Agency for Development and Cooperation provided \$7.1 million equivalent under the project's additional financing (and \$7.9 million under the original project). This was for consulting services for the project's central office and in eight districts. The OPEC Fund for International Development also provided \$20 million additional financing (Loan 8257) in 2013. The total project cost with all the contributions was \$141.8 million—\$73.9 million from the original project and \$67.9 million from additional financing. Contributions from the borrower and the beneficiaries amounted to \$46.7 million.

8. The total cost of consultancy inputs was \$7.9 million under Loan 2092 and \$3.2 million under Loan 2796.⁵ All costs were for local consultants. The Swiss Agency for Development and Cooperation financed the consulting services for the central office and in eight districts under both investments. Funds from the ADB loan, the government, and local governments financed

¹ ADB. 2004. *Report and Recommendation of the President on a Proposed Loan and Technical Assistance Grant to the Government of Nepal for the Decentralized Rural Infrastructure and Livelihood Project (DRILP)*. Manila.

² ADB. 2011. *Technical Assistance Completion Report: Capacity Building in Rural Infrastructure Institutions*. Manila.

³ ADB. 2011. *Report and Recommendation of a Proposed Loan, Grant, and Administration of Loan for Additional Financing to the Government of Nepal for the DRILP*. Manila.

⁴ ADB. 2019. *Project Completion Report: Decentralized Rural Infrastructure and Livelihood Project in Nepal*. Manila.

⁵ Footnote 4, Appendix 2.

the consulting services in 10 districts.⁶ The project completion report (PCR) did not provide information on the person-months of consulting inputs.

9. At appraisal, the project was classified as category B for all three safeguard requirements—the environment, involuntary resettlement, and indigenous peoples. Safeguard planning documents for 40 road subprojects selected for construction and/or rehabilitation under the project were prepared and updated in line with approved safeguard frameworks.

D. Implementation Arrangements

10. The executing agency for the project was DOLIDAR under the Ministry of Local Development. It established a project coordination unit in Kathmandu, headed by a project coordinator. District development committees (DDC) were the implementing agencies. District project offices (DPOs) were established in the 18 project districts for the implementation and served as the technical executing wing of DDC. No significant changes occurred with the additional financing.

11. The PCR reported that all covenants were complied with except for two as their fulfilment period exceeded or awaited the additional financing.⁷ These were on the submission of audited financial statements (covenant 1) and compensation delays (covenant 16) due to absentee ownership and dispute resolution issues. The same covenants were carried forward to the project under additional financing with the same compliance issues.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

12. The PCR rated the project relevant. It indicated that the project was consistent with government policies and priorities at design stage and over the project period. The government's 10th to 14th periodic plans emphasized more rural investment to improve rural connectivity and social inclusion for greater income generation and employment opportunities.⁸ The PCR also noted that the project was consistent with ADB's 1999 Country Operational Strategy Study for Nepal, which aimed to reduce rural poverty by increasing rural income, generating employment opportunities, and providing basic social services.⁹ It was also aligned with ADB's Country Strategy and Program (CSP) Update, 2003–2005, which aimed to strengthen a market-oriented and decentralized agriculture.¹⁰ ADB's CSP for 2005–2009 emphasized more support to foster inclusive development and to address the root causes of the civil conflict.¹¹ The intended outcome of the project's additional financing remained aligned with government priorities and pertinent to ADB country strategies.

13. This validation notes that the project design was appropriate. The logical chain of outcome, outputs, and inputs in the design and monitoring framework was sound. The project

⁶ Footnote 4, para. 13.

⁷ Footnote 4, Appendix 8.

⁸ Government of Nepal. 2002. *Tenth Five-Year Plan (2002–2007), Three-Year Interim Plan (2008–2010), Twelfth Three-Year Plan (2011–2013), Thirteenth Plan (2014–2016), and 14th Plan (2017–2019)*. Kathmandu.

⁹ This validation notes that ADB does not have any CSP for Nepal, 2000–2004, as indicated in para. 4 and footnote 6 of the PCR. The Nepal Resident Mission clarified that the reference should be the 1999 country operational strategy study for Nepal. ADB. 1999. *Country Operational Strategy Study for Nepal*. Manila.

¹⁰ ADB. 2002. *Country Strategy and Program Update: Nepal, 2003–2005*. Manila.

¹¹ ADB. 2004. *Country Strategy and Program: Nepal, 2005–2009*. Manila.

addressed the limited access of farmers in remote areas to widen their market integration. Village residents had suffered much due to the civil conflict because it limited the development and maintenance of rural infrastructure especially in the western hills and mountains—the poorest areas in the country. The project helped to fill demands for constructing, rehabilitating, and maintaining rural infrastructures to help prepare for the post-conflict situation. The labor-based construction was not only practical but also contributed to the local economy. Under the additional financing, the project outcome was simplified—to widen access to social services and economic opportunities. The additional financing scaled up the project scope to resume interrupted works and complete unfinished infrastructure to meet the needs in the project districts. As such, project objectives did not require any significant change.

14. The project's phase 1 was completed with additional financing from phase 2. Due to the project's two-phased approach, there was a period with less disbursements in 2012 and 2013, resulting in an extended combined project period of 15 years.¹² Notwithstanding, the disbursement was gradually back on track in 2013. This validation notes that the project and its additional financing were sound—to address the identified problems. Given the entire design and alignment, this validation assesses the project relevant.

B. Effectiveness in Achieving Project Outcomes and Outputs

15. The PCR rated the project effective. It stated that the project achieved or exceeded six out of seven outcome performance indicators. The first two indicators were (i) the number of people who gained better access to market and social services, and (ii) average annual income per household increased by 36% over the original 10% estimate. The next indicators were a decrease by 42.1% (targeted: 55%) in the per kilometer (km) transport cost for people, and the reduction by 80% (targeted: 87%) in the cost of goods. The freight volume also increased by 29% against the estimate of 20%. The person-days of employment provided was 11.9 million against the target of 11.2 million, while women and excluded groups represented 67% against the target of 50%. Most project outputs were delivered, except for one on curtailing anticompetitive activities. This output was partly achieved with the reduction in transport costs, which was reported to have contributed to reducing anticompetitive behaviour.¹³ Further reduction was needed and expected as more transport businesses commenced operation.

16. The PCR reported that all outputs under output 1 were achieved. Against a target of 550, 552 community infrastructures were constructed. Livelihood-related skills trainings were given to 7,575 beneficiaries over the original target of 6,000 beneficiaries, including women (42.9% of the 40% target) and the poor and excluded groups (60.8% of the 60% target). A microfinance access program was piloted in nine districts as planned. Under output 2, institutional capacity was enhanced in technical, procurement, and management capacity at the national level and in planning, construction, and maintenance of rural roads at the district level. Of the project staff, 71 members, including a woman officer, attended regional study tours to Indonesia and Thailand and learned best practices for rural roads construction and management. DDCs demonstrated their improved capacity in administration, procurement, and reporting. Under output 3, one sub-output was partly achieved. In summary, 527 km of rural roads were built and 249 km rehabilitated and/or upgraded—compared to the original target of 715 km of rural roads built and 190 km rural roads rehabilitated. The revised targets of 555 km of rural roads built and 255 km rural roads rehabilitated were also achieved. The original target could not be achieved due to cost overrun resulting from remoteness, geographical terrain, and rocky conditions.

¹² Footnote 4, Appendix 4.

¹³ Footnote 4, para. 29.

The remaining two sub-output targets were exceeded—with 29,314 meters of trail bridges built over the target of 20,500 meters. Also, 1,273 km of rural roads were fully maintained, which is over the target of 1,200 km.

17. The project and those under additional financing were classified as environment category B in accordance with ADB's safeguard policy. The project prepared an environmental assessment and review framework. An initial environmental examination was prepared for each subproject (23 in DRILP and 17 in DRILP's additional financing), as well as environmental management plans. The PCR indicated some environmental issues in the road construction and noted the less-than-planned output in tree planting.

18. The project did not cause significant negative environmental impacts. Several safeguard measures were also incorporated into the project design. A labor-based, equipment-supported construction approach was adopted during construction that protected environmental integrity and slope stability. However, environmental safeguards compliance in the field was found to be weak in most project districts, as some safeguards desks.¹⁴ In a 2016 aide memoire, it was reported that “unmanaged and unprotected spoil disposal on downhill slopes, open areas and gullies have been the most concerning noncompliance in the majority of road subprojects.”¹⁵ The PCR reported the “downhill tipping of spoil without toe-wall, insufficient or lack of drainage management, and negligence over implementing vegetative methods of slope stabilization.”¹⁶ It also noted that “nevertheless, slope stability in the road alignments were found to be comparatively stable due to labour-intensive work, and technically engineered slope cutting and road grade design.” This was considered a satisfactory implementation of environmental safeguards.

19. For social safeguards, a project resettlement framework was prepared during design stage, and individual resettlement plans prepared for subprojects. The plans were released by the relevant DPO. However, compensation was delayed in some cases where payments were disputed (para. 11). In total, 5,369 households with 19,661 residents were affected by losing 221 hectares of land due to the road subprojects. All grievances were settled and no outstanding grievances were reported. The PCR reported that of the 40 road subprojects, 34 were category C for indigenous peoples and the remaining six were category B. An Indigenous Peoples Plan was prepared for each of the six subprojects in consultation with people living in these zones of influence. The plans were implemented.¹⁷

20. A gender action plan was prepared for Loan 2092 and published as a supplementary appendix. The report and recommendation of the President (RRP) for the loan included a Gender Equality and Social Inclusion Action Plan (GESI AP) as supplementary Appendix 10. This was fully reported in the PCR.¹⁸ GESI mainstreaming has been devolved to the local government, providing a good model for mountain area development.

21. Building on the lessons of DRILP, its additional financing was categorized as effective gender mainstreaming, incorporating specific targets into a GESI AP. This is to ensure that

¹⁴ ADB (South Asia Department). 2015. Aid Memoire on the Review Mission to Nepal: Decentralized Rural Infrastructure and Livelihood Project—Additional Financing. February (internal), para. 18.

¹⁵ ADB (South Asia Department). 2016. Aid Memoire on the Review Mission to Nepal: Decentralized Rural Infrastructure and Livelihood Project. January (internal), para. 19. Subsequent review missions did not extend this assessment.

¹⁶ Footnote 4, Appendix 7, para. 11.

¹⁷ Footnote 4, Appendix 7, para. 3.

¹⁸ Footnote 4, para. 20.

project benefits would reach women, the poor, and the excluded groups. A gender desk with a dedicated staff member was established within the executing agency in December 2013. On the whole, GESI AP targets were met. The PCR concluded that 89% activities in the gender plan were completed and 100% of the quantitative targets were achieved. The infrastructure development planned was close to completion, and the attached TA (footnote 2) was successful in supporting the capacity building of the executing agency. This validation assesses the project effective.

C. Efficiency of Resource Use

22. The PCR rated the project efficient. Of the four components (para. 3), the first two components were to provide economic benefits to local communities by supporting the management and maintenance of local transport infrastructure developed under component 3. The outputs of this component were the (i) construction and rehabilitation of district and village roads, (ii) rehabilitation and upgrading of main trails, and (iii) construction of trail bridges on existing main trails.

23. While the first two components could have both generated their own economic benefits, aside from supporting the road construction program, specific benefits would be hard to quantify. The economic analysis of both phases 1 and 2 focused on the benefits of component 3. For phase 1, five sample subprojects were selected, which covered the types of rural transport infrastructure investment made by the project. Under the phase 2 RRP, three more subprojects to be constructed under the additional financing were analyzed. All eight roads appraised had an economic internal rate of return (EIRR) that is greater than 12%—the cut off for economic efficiency.

24. The PCR undertook the study of six subprojects through fieldwork in mid-2018. None of the phase 1 subprojects were assessed.¹⁹ In phase 2, economic analysis was conducted for the following three road subprojects in the RRP (i) Barahbise–Aatichauri, (ii) Gama–Nele–Budhidanda, and (iii) Sanghu–Dobhan roads. Of these three, two subprojects (item nos. i and ii) were assessed at PCR stage. The range of estimated EIRRs was comparable, with four of the six subprojects exceeding 20% EIRR and the other two subprojects averaging 14.5% EIRR. It is noted that subproject life was estimated at 20 years post-construction and that no residual value is allowed, while, in practice, the road alignments would normally have substantial residual values, even if (for example) resurfacing would be required by year 20.

25. Appendix 1 of the PCR included a list of subprojects, for which reference was made to DOLIDAR's PCR. DOLIDAR listed 41 completed or near-completed road subprojects with up to four subprojects in each of the 18 districts.²⁰ While the use of varying names may be part of the issue, the reported lengths of road also differed substantially between the ADB's PCR and the roads identified by the executing agency.

26. The trail bridges built by the project experienced a similar issue. The Chepe Nadi bridge in Gorkha district was mentioned in both PCRs, but the cost estimate in DOLIDAR's PCR was NR5.6 million while in ADB's PCR, it was NR4.0 million. Although the details were hard to

¹⁹ The South Asia Department (SARD) concurred with this finding. Also, SARD clarified that in phase 2, different names were used to refer to the same roads in the RRP and PCR, e.g., Barahbise–Aatichauri instead of Barabise–Deltabazar–Aatichaur, and Gama–Nele–Budhidanda instead of Gama–Nele–Bogal.

²⁰ DOLIDAR. 2018. *Project Completion Report of the Decentralized Rural Infrastructure and Livelihood Project and Decentralized Rural Infrastructure and Livelihood Project—Additional Financing*. Kathmandu. Appendix 6.

reconcile, the total numbers of road and trail bridge subprojects were in agreement, based on the PCR's design and monitoring framework.²¹

27. The PCR reported that 70% of total project outlays were for rural transport infrastructure and 19.5% on community development and rural livelihood restoration. While detailed information on the second category was not available, it is likely that it generated adequate returns. Combined with the EIRR on the roads and bridges (para. 24), this validation assesses the project efficient.

D. Preliminary Assessment of Sustainability

28. The PCR rated the project likely sustainable. Of the 40 roads²² constructed under the project, 26 were reported to have been taken over by different agencies and were being upgraded to higher pavement standard. The remaining roads are being maintained by their rural municipalities, with some communities' contributing cash or labor.²³ Given the planned project assessment period of 20 years, the average road condition over this period should be adequate particularly for the upgraded roads. The PCR noted that, after the promulgation of the new Constitution, the country adopted a federal structure. Consequently, the operation and maintenance of rural roads was assigned to municipalities. This validation further notes that should a major resurfacing be required during or after this period, the cost would be small compared to the original cost (in real terms) since most road development and compensation costs will have been met during the initial construction. Given the increasing focus of the government on rural roads and their maintenance, this validation assesses the project likely sustainable.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

29. The PCR rated the project's development impact satisfactory. The project was intended to reduce rural poverty in 18 very poor and remote hill and mountain districts—from 41% in 2004 to 20% in 2020. While specific data on project communities or districts are not available, it is likely that significant reduction has occurred, at least to the extent achieved in districts not covered by the projects, although the 20% target was probably ambitious.

30. While road construction inevitably leads to negative environmental impacts, particularly on new alignments, the construction methods adopted were likely to have minimized the impact. The PCR noted that all project-financed roads were screened for environmental impacts.²⁴ No other negative impacts were identified. This validation assesses the project's development impact satisfactory.

B. Performance of the Borrower and Executing Agency

31. The PCR rated the performance of the executing agency satisfactory as it generally performed well. It noted improvements in timeliness and in the quality of reporting of projects under the additional financing. However, there were delays in submitting audited financial statements, with financial closing delayed until April 2019. There were also difficulty and

²¹ Footnote 4, Appendix 1.

²² ADB's PCR reported 40 roads constructed in para. 24. However, Appendix 1 listed only 39 (footnote 4).

²³ Footnote 4, para. 35 and Appendix 10.

²⁴ Footnote 4, para. 41.

delays in compensation payments for land acquisition and resettlement (paras. 11 and 19).²⁵ According to the loan agreement, all participating districts should provide 10% of subproject cost in cash. However, most project districts encountered difficulty in providing counterpart funds due to their limited revenue generation. While the Ministry of Finance agreed to provide conditional grants to meet the districts' financial obligations, this took time, and was reported by review missions each year from 2008 to May 2011. All other covenants were reported as complied. Despite the difficulties, arrangements were made to proceed with the project. This validation assesses the performance of the borrower and the executing agency satisfactory.

C. Performance of the Asian Development Bank and Cofinanciers

32. The PCR rated the performance of ADB satisfactory. The review of the original and revised RRP, and the revised project administration manual indicated that ADB effectively designed a complex project, supported by a useful project preparatory technical assistance. ADB was able to provide an early and effective support for project implementation—providing technical, financial, procurement, and safeguard management orientation, as well as training and onsite coaching to the project staff.²⁶ However, it is unclear whether one or more review missions occurred between loan effectiveness in October 2005 and May 2007 (the first mission with a back-to-office-report that could be located). However, the Nepal Resident Mission was able to coordinate the complex cofinancing arrangements. Safeguards implementation was satisfactory (paras. 17–19). This validation assesses ADB performance and that of the cofinanciers satisfactory.

D. Others

33. The PCR considered the quality and content of the DOLIDAR's PCR below the required standard for both investments.²⁷ This validation finds the DOLIDAR report detailed and comprehensive, with 17 useful appendixes.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

34. The PCR rated the project successful. The project design was relevant to the needs of communities in the remote hill and mountain districts of Nepal, many of which were severely affected by the civil war. The project was effective in achieving its main outcomes. Subproject EIRR showed that the project was efficient. The project was likely sustainable because the capacity of communities and the government's commitment for maintenance were apparent. Overall, this validation assesses the project successful.

²⁵ Footnote 4, Appendix 8, Section 16.

²⁶ Footnote 4, para. 46.

²⁷ Footnote 4, para. 43.

Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness	Effective	Effective	
Efficiency	Efficient	Efficient	
Sustainability	Likely sustainable	Likely sustainable	
Overall Assessment	Successful	Successful	
Preliminary assessment of impact	Satisfactory	Satisfactory	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	Para. 41.

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.
Source: ADB (IED).

B. Lessons

35. The PCR indicated a number of project-specific lessons. It noted the usefulness of limiting the geographic spread of projects and ensuring that all implementing agencies have adequate capacity. Also, during design stage, a project needs to carefully assess the potential for voluntary land acquisition, ensuring there is no coercion by third parties. Many training course participants needed capital and extended support if they are to succeed in business.

36. This validation agrees with these lessons and has identified four additional lessons. At the project level, a phased approach to project design is useful if it is a complex, large project. In addition, ADB project departments and resident missions need to ensure that implementation issues are identified and corrected early on rather than waiting for the midterm review (MTR) (para. 40). At the sector level, a project needs to define road needs for a longer time frame and to construct roads to a suitable grade at the outset as it is more efficient and cost-effective than having to upgrade later. A methodological lesson is that, in multiphase projects, it is good to prepare cost tables by expenditure category (i.e., civil works) to learn how future projects need to plan their estimates.

C. Recommendations for Follow-Up

37. The PCR identified four recommendations for follow-up. First, ADB's support to future investments in Nepal's rural roads should focus on upgrading road networks to a sealed all-weather standard. Second, sector and safeguard covenants should be maintained for the next 5 years as these are useful for the ongoing and planned ADB-financed rural road projects. Third, livelihood activities should be quantified in the appraisal's economic analysis. Fourth, a separate PCR should be prepared for a phase 1 project if additional financing (phase 2) does not have the scope to mitigate issues arising from cost and time overruns in the original project.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

38. The executing agency provided numerous reports to the Nepal Resident Mission, of which 97 are on the ADB project website.²⁸ These pertained primarily to safeguards including environment compliance, safeguards due diligence, resettlement planning, indigenous peoples planning, and other issues. The validation notes that these reports are generally well prepared and would have been of useful to project officers of the Nepal Resident Mission. The PCR noted that quality and content of progress reports substantially improved during the second half of the additional financing.²⁹ However, the PCR also indicated that audited financial statements of the original project were submitted late in the initial two fiscal years.

39. The Nepal Resident Mission conducted regular review missions. Some 15 mission reports covered the period from 2007 to 2017, with one or two report for most of the years. However, there was no report that covered the 18 months from effectiveness (para. 32)—possibly due to the civil conflict. If that is the case, it is unfortunate as it is during this time when 27% of the project expenditures were spent. The ADB aide memoires reviewed were generally useful and of high standard.

40. The MTR for Loan 2092 is comprehensive, providing a sound support for the ongoing implementation.³⁰ However, the aide memoire stated that during its first 3 years of implementation, the project could not progress well due to a number of issues.³¹ It added that although some of the above issues continued to exist, the situation had substantially improved since the previous year and project implementation had picked up. This validation notes that the two previous back-to-office reports reported that “implementation is progressing satisfactorily.” This validation believes that these issues reported by the MTR should have been identified and corrected earlier.

B. Comments on Project Completion Report Quality

41. The PCR is detailed and well prepared. It provided a comprehensive description and objective assessment of the project outcome, outputs, and achievement of targets. It did not fully explain the reason for the need for additional financing, and why the phase 1 costs were underestimated. Although a minor issue, the PCR did not explain why the \$0.7 million Deutsche Gesellschaft für Technische Zusammenarbeit (GIZ) grant was dropped, although it implied that it was for the lack of follow-up by the aid agency. This validation rates the PCR quality satisfactory.

C. Data Sources for Validation

42. Data sources for this validation include the two project RRP, national development plans and country strategies, the ADB and the executing agency’s completion report, loan

²⁸ ADB. 2019. *Nepal: Decentralized Rural Infrastructure and Livelihoods Project*. Manila. <https://www.adb.org/projects/30232-013/main#project-documents>.

²⁹ Footnote 4, para. 27.

³⁰ ADB (South Asia Department). 2008. *Mid-Term Review Mission to Nepal: Decentralized Rural Infrastructure and Livelihood Project*. Back-to-office report. December (internal).

³¹ These were the (i) lack of authority given to the District Technical Office, (ii) frequent transfer of project staff, (iii) delays in recruiting DPOs, (iv) delays in selecting consulting firms for district implementation support consultant, (v) delays in decision making by the District Road Coordination Committee, and (vi) unclear delineation of responsibility between the DTO and the District Technical Office.

review mission reports, and safeguard monitoring reports prepared by the project coordination unit.

D. Recommendation for Independent Evaluation Department Follow-Up

43. It is recommended that a project performance evaluation be undertaken in 2022.